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1990 Annual Report

State of Arizona Department of Revenue

Rose Mofford
Governor

Paul Waddell
Director

November 1990

ARIZONA DEPARTMENT OF REVENUE

1990 ANNUAL REPORT

Prepared by the
Arizona Department of Revenue
1600 West Monroe Street
Phoenix, Arizona 85007

ARIZONA DEPARTMENT OF REVENUE

1600 WEST MONROE - PHOENIX, ARIZONA 85007

ROSE MOFFORD
GOVERNOR

PAUL WADDELL
DIRECTOR

November 15, 1990

The Honorable Rose Mofford
Governor, State of Arizona
1700 West Washington
Phoenix, AZ 85007

Dear Governor Mofford:

The Arizona Department of Revenue is pleased to submit to you and the 39th Legislature our annual report for the fiscal year ending June 30, 1990.

The Department is proud of the progress it continues to make in improving the effectiveness and efficiency of tax collection efforts. We also are proud of the fact that such efforts are conducted in a fair and equitable manner so that all taxpayers are treated the same and expected to pay their share.

Collection efforts during the 1989-90 fiscal year resulted in collections by the Department of Revenue of more than $3.5 billion, including $2.57 billion that was deposited directly into the state general fund.

More than $1.8 billion was raised from sales and use taxes, $1.52 billion from income taxes and $88.2 million in luxury taxes. The remainder came from estate and other miscellaneous taxes.

In addition to the $3.5 billion collected by the Department, another $130.2 million in property taxes was collected by county treasurers for deposit into the state general fund.

We hope that this report helps facilitate taxpayer understanding of the Department of Revenue's operations and its efforts to enforce all tax laws fairly and equitably.

Sincerely,

Paul Waddell
Director
Arizona Department of Revenue

ARIZONA DEPARTMENT OF REVENUE
1990 ANNUAL REPORT
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Revenues

TABLE 1
REVENUE SUMMARY
GROSS REVENUE COLLECTED

SOURCE	1985–86	1986–87	1987–88	1988–89	1989–90
SALES AND USE TAX					
Distribution Base	$ 490,395,472	$ 519,015,701	$ 547,506,889	$ 604,226,720	$ 636,085,313
Nonshared Portion	909,602,932	958,559,275	988,466,081	1,055,893,436	1,099,464,112
Use Tax	59,415,099	52,549,878	61,797,123	64,805,718	61,708,485
Subtotal	$ 1,459,413,503	$ 1,530,124,854	$ 1,597,770,093	$ 1,724,925,874	$ 1,797,257,911
Undistributed Estimated (1)	0	0	0	0	49,542,256
Sales Tax Subtotal	$ 1,459,413,503	$ 1,530,124,854	$ 1,597,770,093	$ 1,724,925,874	$ 1,846,800,167
INCOME TAX					
Withholding	578,701,782	599,660,202	698,699,875	773,395,690	823,315,492
Individual	275,161,560	333,498,960	345,881,711	370,129,112	461,313,249
Corporation	213,236,463	249,213,473	229,759,928	257,153,477	238,183,418
Subtotal	$ 1,065,099,805	$ 1,182,372,635	$ 1,274,341,514	$ 1,400,678,279	$ 1,522,812,159
LUXURY TAX					
Spirituous Liquor	18,034,731	17,059,104	17,287,330	17,532,966	16,998,323
Vinous Liquor	7,563,260	7,832,584	7,961,950	6,817,303	7,070,321
Malt Liquor	15,250,805	15,927,165	15,705,711	16,193,267	16,236,679
Tobacco – All Types	51,419,032	51,781,811	53,028,844	51,418,132	47,895,527
Licensing	1,575	1,600	1,600	1,425	1,675
Subtotal	$ 92,269,403	$ 92,602,264	$ 93,985,435	$ 91,963,093	$ 88,202,525
ESTATE TAX					
Estate	13,528,098	26,389,374	32,276,168	25,453,753	24,988,640
Unclaimed Property	2,531,318	4,824,885	4,281,091	5,742,921	15,321,931
Escheated Estate and Unclaimed Dividends	123,259	202,756	141,577	159,635	372,780
Subtotal	$ 16,182,675	$ 31,417,015	$ 36,698,836	$ 31,356,309	$ 40,683,351
Bingo	600,158	730,593	798,818	845,841	796,778
Flight Property Tax	3,568,308	5,630,177	6,859,428	8,381,082	8,626,536
Private Car Tax	951,942	654,627	541,639	675,653	702,678
Nuclear Plan Assessment	410,515	458,200	483,700	601,100	635,100
DEPARTMENT TOTAL	$ 2,638,496,309	$ 2,843,990,365	$ 3,011,479,463	$ 3,259,427,231	$ 3,509,259,295
State Property Tax (2)	55,750,910	59,285,256	67,389,020	92,715,743	130,199,755
TOTAL (3)	$ 2,694,247,219	$ 2,903,275,621	$ 3,078,868,483	$ 3,352,142 974	$ 3,639,459,050

(1) Chapter 1 of the Second Special Legislative Session of 1989 provided for the requirement of sales tax estimated payments.
(2) Deposited in the general fund by counties
(3) All revenues including those which are eventually refunded or distriubted to local government; does not include municipal or county sales taxes, or special fund collections.

TABLE 2
NET REVENUE TO STATE GENERAL FUND

SOURCE	1985-86	1986-87	1987-88	1988-89	1989-90	
Sales, Use and Severance Tax	$ 1,150,175,481	$ 1,199,589,750	$ 1,252,402,747	$ 1,340,809,656	$ 1,393,045,295	
Sales Undistributed Estimated Payments (1)	0	0	0	0	49,542,256	
Income Tax	771,448,590	835,501,060	873,497,071	968,464,778	1,023,291,736	
Luxury Tax	69,470,809	69,568,718	70,804,571	69,052,845	65,661,709	
Estate Tax/Unclaimed Property	15,442,463	30,220,650	34,778,286	26,913,749	31,896,539	
Bingo	264,656	370,211	414,572	748,412	796,778	(2)
Flight Property Tax	3,568,308	4,795,803	3,552,876	1,067,926	0	(3)
Private Car Tax	951,942	654,627	541,639	675,653	702,678	
Nuclear Plan Assessment	410,515	458,200	483,700	601,100	635,100	
Department Total	$ 2,011,732,764	$ 2,141,159,019	$ 2,236,475,462	$ 2,408,334,119	$ 2,565,572,091	
State Property Tax (4)	55,750,910	59,285,256	67,389,020	92,715,743	130,199,755	(5)
TOTAL	$ 2,067,483,674	$ 2,200,444,275	$ 2,303,864,482	$ 2,501,049,862	$ 2,695,771,846	

(1) Chapter 1 of the Second Special Legislative Session of 1989 provided for the requirement of sales tax estimated payments.
(2) FY 89-90 represents the first full fiscal year in which all Bingo Collections were deposited to the General Fund.
(3) All Flight Property revenue is distributed to the State Aviation Fund.
(4) Deposited in the State General Fund by counties.
(5) In addition to State Property Tax collections, this figure includes deposits to the General Fund derived from the minimum Qualifying Tax Rate and taxes collected within Unorganized School Districts.

TABLE 3
GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX
1988-89 AND 1989-90

	1988-89	1989-90	% CHANGE
AUDIT COLLECTIONS			
Assessment Collections (Gross)	$ 52,981,307	$ 67,462,658	27.33%
Miscellaneous Taxes (Net of Credit)	5,640,471	7,631,199	35.29%
TOTAL AUDIT UNIT COLLECTIONS	58,621,778	75,093,857	28.10%
TOTAL BILLINGS	75,976,878	99,659,535	31.17%
TOTAL DELINQUENT TAX COLLECTIONS	87,218,618	108,211,661	24.07%
TOTAL UNADJUSTED ENFORCEMENT COLLECTIONS	221,817,274	282,965,053	27.57%
ADJUSTMENTS (1)			
Duplication, Credit Audits and Other Adjustments as Reported	(55,910,525)	(69,871,147)	24.97%
TOTAL ADJUSTED ENFORCEMENT COLLECTIONS (2)	$ 165,906,749	$ 213,093,906	28.44%

(1) Audits resulting in credit adjustments are subtracted to produce an actual figure representing the net gain to the state from Tax Enforcement Division efforts.

(2) Actual amounts resulting from the Department's enforcement effort.

REFUND DENIALS	$23,967,116	$10,871,504	-54.64%

Transaction Privilege (Sales) Tax

Transaction Privilege Tax

Major Features

Arizona's transaction privilege (sales) tax is imposed on the privilege of transacting business in the state. The rates range from .46875 percent to 5.5 percent, depending on the type of business, with most rates at 5 percent. (Refer to Table 5) There are more than 132,000 sales tax accounts, which resulted in more than $1.8 billion in gross revenues in the 1989-90 fiscal year. That total includes sales, use and severance tax revenues. (Refer to Table 4)

An additional tax usually considered to be sales tax is the rental occupancy tax, which is levied at the rate of 3 percent on real property on a long-term lease entered into prior to December 1, 1967.

Severance Tax

A severance tax is imposed in lieu of a transaction privilege tax on the businesses of mining metalliferous minerals and severing timber. The severance rates are 2.5 percent on mining metalliferous minerals and 1.5 percent on timbering. (Refer to Table 5)

Distribution

The total of transaction privilege, rental occupancy and severance taxes creates a tax base that is divided into two parts, distribution base and non-shared.

The distribution base is the portion of the tax that is shared with counties and municipalities. It is divided among municipalities (25 percent), counties (38.08 percent) and the state general fund (36.92 percent). The non-shared portion of transaction privilege taxes, rental occupancy and severance taxes are deposited directly to the state general fund. (Refer to Tables 7 through 25)

Use Tax

A use tax, at the rate of 5 percent, is imposed on the purchase price of tangible personal property from either in-state or out-of-state vendors for which a sales tax (equal to or greater than the Arizona rate) was not paid.

The use tax also is imposed on anyone with nexus in this state, soliciting orders for tangible personal property by mail, or other methods, if the solicitation is substantial and recurring. Firms without nexus may voluntarily pay use tax for the benefit of their customers.

Municipal Sales Tax Collection Program

The Arizona Department of Revenue is authorized to collect municipal sales tax for Arizona cities and towns. The municipal sales tax is retained by the state and deposited to the general fund. Once the Department collects the local taxes, weekly distribution checks are processed. The service is provided at no charge to the cities. During FY 1989-90, 71 cities and towns participated in the program. (Refer to Table 26 and 27)

TABLE 4
GROSS SALES, USE AND SEVERANCE TAX COLLECTIONS

SOURCE	1985-86	1986-87	1987-88	1988-89	1989-90
Distribution Base	$ 490,395,472	$ 519,015,701	$ 547,506,889	$ 604,226,720	$ 636,085,313
Nonshared	909,602,932	958,559,275	988,466,081	1,055,893,436	1,099,464,112
Use Tax	59,415,099	52,549,878	61,797,123	64,805,718	61,708,485
SUBTOTAL	$ 1,459,413,503	$ 1,530,124,854	$ 1,597,770,093	$ 1,724,925,874	$ 1,797,257,911
Undistributed Estimated (1)	0	0	0	0	49,542,256
911 Excise Tax	1,282,523	1,878,873	3,558,566	3,677,444	3,619,425
Telecommunications Devices	456,638	538,744	564,095	1,161,617	1,654,601
Less Collection Fees	(-35,667)	(133,834)	(33,485)	(5,547)	(5,064)
GROSS STATE COLLECTIONS	$ 1,461,188,331	$ 1,532,408,637	$ 1,601,859,269	$ 1,729,759,388	$ 1,852,069,129
City Sales Tax	51,527,477	56,602,528	63,372,873	69,681,317	69,436,099
Pima County Hotel Tax	-----	349,599	626,786	713,311	735,852
Gila County Road Tax	-----	-----	-----	-----	976,699
Maricopa County Road Tax	37,005,284	94,830,790	99,190,010	106,250,460	110,800,551
Pinal County Road Tax	-----	1,144,080	2,854,839	3,136,941	3,337,400
Yuma County Road Tax	-----	-----	2,403,620	2,765,529	42,634
TOTAL DEPARTMENT OF REVENUE RECEIPTS	$ 1,549,721,092	$ 1,685,335,634	$ 1,770,307,397	$ 1,912,306,946	$ 2,037,398,364

(1) Chapter 1 of the Second Special Legislative Session of 1989 provided for the requirement of sales tax estimated payments.

TABLE 5
SALES AND SEVERANCE TAX RATES
1989-90

TAXABLE ACTIVITIES	DISTRIBUTION BASE	NONSHARED	TOTAL TAX
1. Transporting and Towing	1%	4%	5%
2. Nonmetalliferous Mining, Oil and Gas Production	1%	2.125%	3.125%
4. Utilities	1%	4%	5%
5. Communications	1%	4%	5%
6. Railroads and Aircraft	1%	4%	5%
7/8. Private Car/Pipelines	1%	4%	5%
9. Publishing	1%	4%	5%
10. Printing	1%	4%	5%
11. Restaurants and Bars	2%	3%	5%
12. Amusements	2%	3%	5%
13. Real Property Rentals	2.666%	2.334%	5%
14. Personal Property Rentals	2%	3%	5%
15. Contracting (Mtrl. only)	1%	4%	5%
16. Feed Wholesale	0.25%	0.21875%	0.46875%
17. Retail	2%	3%	5%
19. Mining Severance	2%	0.5%	2.5%
20. Timbering Severance	1.2%	0.3%	1.5%
24. Prime Contracts entered into prior to May 1983	1%	3%	4%
25. Hotel/Motel Tax	2.75%	2.75%	5.5%
26. Prime Contracts entered into prior to July 1974	1%	2.75%	3.75%
28. Rental Occupancy Tax	2%	1%	3%
29/30. Use and Use Inventory Tax	0%	5%	5%
34. Prime Contracts entered into prior to October 1985	1%	4%	5%
35. Prime Contracts entered into prior to November 1986	1%	4%	5%
37. Contracting- Owner Builder	1%	4%	5%
39. Prime Contracts entered into prior to September 1989	1%	4%	5%

TABLE 6
NET TAXABLE SALES
BY SALES TAX CLASSIFICATIONS (1)

CLASSIFICATION	1985–86	% OF TOTAL	1986–87	% OF TOTAL	1987–88	% OF TOTAL	1988–89	% OF TOTAL	1989–90	% OF TOTAL
Transportation and Towing	$ 20,081,552	0.07	$ 14,922,455	0.05	$ 20,463,769	0.06	$ 28,758,044	0.08	$ 33,909,195	0.09
Mining, Oil & Gas	51,905,715	0.17	148,913,432	0.47	126,829,396	0.38	124,056,131	0.35	107,996,737	0.29
Mining Severance	564,725,067	1.86	479,166,973	1.51	770,738,944	2.32	1,236,275,952	3.49	1,182,115,330	3.23
Timbering	———	———	6,322	0.00 (4)	———	———	———	———	———	———
Timber Severance	25,199,054	0.08	32,029,321	0.10	37,165,049	0.11	37,568,899	0.11	36,230,752	0.10
Utilities	2,923,250,155	9.61	2,895,843,655	9.15	3,149,235,562	9.49	3,390,805,649	9.58	3,529,384,625	9.64
Communications	608,624,412	2.00	743,710,309	2.35	722,787,773	2.18	819,025,883	2.31	844,247,521	2.31
Railroads and Aircraft	32,087,646	0.11	27,433,757	0.09	23,272,411	0.07	22,926,466	0.06	29,998,506	0.08
Private Car and Pipelines	2,098,655	0.01	1,703,345	0.01	2,472,598	0.01	2,318,484	0.01	4,948,366	0.01
Publishing	58,505,068	0.19	56,990,286	0.18	18,412,858	0.06	59,142,634	0.17	66,657,376	0.18
Job Printing	359,412,160	1.18	294,494,396	0.93	311,119,479	0.94	320,103,704	0.90	322,870,949	0.88
Local Advertising (2)	386,559,578	1.27	2,019,771	0.01	1,209,023	0.00 (4)	402,963	0.00 (4)	(51,197)	(0.00) (4)
Restaurants and Bars	2,288,763,194	7.52	2,495,947,895	7.89	2,642,915,603	7.97	2,797,555,980	7.90	2,914,787,167	7.96
Amusements	208,425,050	0.69	256,567,864	0.81	281,444,023	0.85	316,264,130	0.89	334,913,249	0.91
Real Property Rentals	1,216,090,543	4.00	1,424,142,351	4.50	1,567,435,284	4.73	1,837,185,066	5.19	2,141,154,374	5.85
Personal Property Rentals	1,142,010,149	3.75	1,167,714,064	3.69	1,280,376,048	3.86	1,302,238,894	3.68	1,400,099,637	3.82
Contracting	4,216,936,438	13.86	4,652,177,267	14.71	4,250,110,470	12.81	4,181,881,358	11.81	4,068,940,646	11.11
Wholesale Feed	201,744,264	0.66	186,810,139	0.59	211,794,077	0.64	187,274,438	0.53	191,314,302	0.52
Retail	14,266,722,878	46.90	15,029,620,336	47.51	15,754,847,677	47.50	16,646,682,343	47.03	17,344,686,334	47.36
Hotel/Motel	530,216,128	1.74	631,782,728	2.00	711,777,198	2.15	782,063,804	2.21	890,019,152	2.43
Agricultural Equipment (3)	33,490,097	0.11	37,286,366	0.12	46,395,579	0.14	3,935,874	0.01	53,220	0.00 (4)
Rental Occupancy Tax	5,004,321	0.02	4,249,758	0.01	2,938,770	0.01	3,074,631	0.01	3,061,070	0.01
Use Tax	1,279,708,331	4.21	1,050,873,362	3.32	1,236,021,527	3.73	1,296,124,649	3.66	1,175,061,536	3.21
TOTAL	$ 30,421,560,455	100.00	$ 31,634,406,152	100.00	$ 33,169,763,117	100.00	$ 35,395,665,976	100.00	$ 36,622,398,847	100.00

(1) Net taxable sales are based on sales tax receipts net of the accounting allowance to the business firms. Effective July, 1985.
(2) Local advertising designated a separate class on January 1, 1983. Phased out on January 1, 1986.
(3) Agricultural equipment designated a separate class on April 18, 1985 when tax rate dropped from 5% to 3%. Phased out on July 1, 1988.
(4) Percent of total is less than 0.01%.

TABLE 7
SALES TAX COLLECTIONS BY CLASS
1989-90

CLASSIFICATION	DISTRIBUTION BASE	NONSHARED	TOTAL SALES TAX COLLECTIONS
Transporting and Towing	$ 339,093	$ 1,356,230	$ 1,695,323
Nonmetal Mining, Oil and Gas	1,079,967	2,227,911	3,307,878
Mining Severance	23,642,307	5,910,577	29,552,883
Timbering Severance	434,639	108,823	543,461
Utilities	35,293,848	141,175,383	176,469,231
Communications	8,442,476	33,769,900	42,212,376
Railroads and Aircraft	299,985	1,199,940	1,499,925
Private Car and Pipelines	49,484	197,935	247,418
Publishing	666,576	2,666,274	3,332,850
Printing	3,228,720	12,911,416	16,140,136
Local Advertising	(512)	1,325	813
Restaurants and Bars	58,295,719	87,431,518	145,727,237
Amusements	6,698,263	10,045,624	16,743,887
Rentals of Real Property	57,106,493	49,976,965	107,083,458
Rentals of Personal Property	28,001,977	42,002,922	70,004,899
Contracting	40,689,470	162,706,517	203,395,986
Wholesale Feed	478,511	418,752	897,263
Retail	346,893,564	520,324,169	867,217,733
Hotel/Motel	24,383,511	24,383,430	48,766,940
Agricultural Equipment	0	1,029	1,029
Rental Occupancy Tax	61,224	30,608	91,832
Use Tax	0	61,708,485	61,708,485
License Fees	0	476,160	476,160
Utilities Credit	0	140,707	140,707
TOTAL	$ 636,085,313	$ 1,161,172,597	$ 1,797,257,911

Figures may not add to total due to rounding.
Does not reflect the balance of undistributed estimated payments at the end of FY89-90.

TABLE 8
DISTRIBUTION OF SALES TAX COLLECTIONS
1989-90

Net Regular to State General Fund	$	1,393,045,295
Net Estimated Payments to General Fund		49,542,256
Net to Cities		159,021,328
Net to Counties		242,221,287
Disease Control		2,970,000
911 Excise, Telecommunications Devices		5,274,026
Less Collections Fees		(5,064)
TOTAL GROSS COLLECTIONS	$	1,852,069,129

TABLE 9
CALCULATED SALES TAX COLLECTIONS
IN APACHE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 11,071,366	5%	$ 553,568
5. Communications	5,823,013	5%	291,151
9. Publishing	756,771	5%	37,839
11. Restaurants and Bars	6,148,662	5%	307,433
12. Amusements	266,290	5%	13,315
13. Rentals of Real Property	262,079	5%	13,104
14. Rentals of Personal Property	2,013,791	5%	100,690
15. Contracting	36,858,549	5%	1,842,927
17. Retail	101,738,183	5%	5,086,909
25. Hotel/Motel	2,906,796	5.5%	159,874
Other Taxable Activities	81,489,671		3,703,491
TOTAL	$ 249,335,171		$ 12,110,301

Figures may not add to total due to rounding.

TABLE 10
CALCULATED SALES TAX COLLECTIONS
IN COCHISE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 84,457,070	5%	$ 4,222,853
5. Communications	16,666,873	5%	833,344
9. Publishing	815,716	5%	40,786
11. Restaurants and Bars	46,368,625	5%	2,318,431
12. Amusements	2,318,931	5%	115,947
13. Rentals of Real Property	19,206,741	5%	960,337
14. Rentals of Personal Property	11,863,955	5%	593,198
15. Contracting	48,261,337	5%	2,413,067
17. Retail	293,487,638	5%	14,674,382
25. Hotel/Motel	11,309,410	5.5%	622,018
Other Taxable Activities	28,279,362		1,086,928
TOTAL	$ 563,035,656		$ 27,881,288

Figures may not add to total due to rounding.

TABLE 11
CALCULATED SALES TAX COLLECTIONS
IN COCONINO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 78,599,968	5%	$ 3,929,998
5. Communications	24,599,569	5%	1,229,978
9. Publishing	1,373,857	5%	68,693
11. Restaurants and Bars	126,607,662	5%	6,330,383
12. Amusements	28,472,403	5%	1,423,620
13. Rentals of Real Property	27,342,233	5%	1,367,112
14. Rentals of Personal Property	29,652,885	5%	1,482,644
15. Contracting	124,816,001	5%	6,240,800
17. Retail	441,347,605	5%	22,067,380
25. Hotel/Motel	107,486,220	5.5%	5,911,742
Other Taxable Activities	50,870,927		1,773,848
TOTAL	$ 1,041,169,330		$ 51,826,200

Figures may not add to total due to rounding.

TABLE 12
CALCULATED SALES TAX COLLECTIONS
IN GILA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 77,545,931	5%	$ 3,877,297
5. Communications	5,965,300	5%	298,265
9. Publishing	542,670	5%	27,134
11. Restaurants and Bars	26,166,033	5%	1,308,302
12. Amusements	1,231,336	5%	61,561
13. Rentals of Real Property	6,593,518	5%	329,676
14. Rentals of Personal Property	5,629,240	5%	281,462
15. Contracting	16,079,752	5%	803,988
17. Retail	118,472,624	5%	5,923,631
25. Hotel/Motel	4,953,584	5.5%	272,447
Other Taxable Activities	211,778,402		5,812,596
TOTAL	$ 474,958,387		$ 18,996,364

Figures may not add to total due to rounding.

TABLE 13
CALCULATED SALES TAX COLLECTIONS
IN GRAHAM COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
11. Restaurants and Bars	$ 10,290,410	5%	$ 514,521
13. Rentals of Real Property	1,998,771	5%	99,939
14. Rentals of Personal Property	2,930,202	5%	146,510
15. Contracting	10,690,465	5%	534,523
17. Retail	76,588,345	5%	3,829,417
Other Taxable Activities	21,541,851		1,062,807
TOTAL	$ 124,040,044		$ 6,187,714

Figures may not add to total due to rounding.

TABLE 14
CALCULATED SALES TAX COLLECTIONS
IN GREENLEE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
11. Restaurants and Bars	$ 2,692,805	5%	$ 134,640
13. Rentals of Real Property	469,496	5%	23,475
14. Rentals of Personal Property	2,300,063	5%	115,003
15. Contracting	14,723,901	5%	736.195
17. Retail	25,397,177	5%	1,269,859
Other Taxable Activities	369,991,509		10,565,518
TOTAL	$ 415,574,950		$ 12,844,690

Figures may not add to total due to rounding.

TABLE 15
CALCULATED SALES TAX COLLECTIONS
IN LA PAZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
11. Restaurants and Bars	$ 15,500,296	5%	$ 775,015
13. Rentals of Real Property	4,378,878	5%	218,944
14. Rentals of Personal Property	2,093,990	5%	104,699
15. Contracting	14,600,010	5%	730,001
17. Retail	58,019,346	5%	2,900,967
25. Hotel/Motel	2,263,627	5.5%	124,500
Other Taxable Activities	38,160,818		1,462,956
TOTAL	$ 135,016,966		$ 6,317,081

Figures may not add to total due to rounding.

TABLE 16
CALCULATED SALES TAX COLLECTIONS
IN MARICOPA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 2,135,727,542	5%	$ 106,786,377
5. Communications	553,489,158	5%	27,674,458
9. Publishing	43,980,431	5%	2,199,022
11. Restaurants and Bars	1,856,991,210	5%	92,849,561
12. Amusements	224,625,068	5%	11,231,253
13. Rentals of Real Property	1,607,304,652	5%	80,365,233
14. Rentals of Personal Property	1,058,318,038	5%	52,915,902
15. Contracting	2,643,710,318	5%	132,185,516
17. Retail	11,161,693,926	5%	558,084,696
25. Hotel/Motel	504,290,041	5.5%	27,735,952
Other Taxable Activities	1,271,457,133		62,287,051
TOTAL	$ 23,061,587,516		$ 1,154,315,022

Figures may not add to total due to rounding.

TABLE 17
CALCULATED SALES TAX COLLECTIONS
IN MOHAVE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 84,479,084	5%	$ 4,223,954
5. Communications	18,368,801	5%	918,440
9. Publishing	740,971	5%	37,049
11. Restaurants and Bars	72,696,459	5%	3,634,823
12. Amusements	7,141,125	5%	357,056
13. Rentals of Real Property	28,587,222	5%	1,429,361
14. Rentals of Personal Property	23,068,730	5%	1,153,437
15. Contracting	147,845,282	5%	7,392,264
17. Retail	418,104,655	5%	20,905,233
25. Hotel/Motel	35,782,625	5.5%	1,968,044
Other Taxable Activities	30,744,698		1,257,133
TOTAL	$ 867,559,655		$ 43,276,794

Figures may not add to total due to rounding.

TABLE 18
CALCULATED SALES TAX COLLECTIONS
IN NAVAJO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 49,856,192	5%	$ 2,492,810
5. Communications	14,072,916	5%	703,646
9. Publishing	491,251	5%	24,563
11. Restaurants and Bars	33,826,695	5%	1,691,335
12. Amusements	1,507,407	5%	75,370
13. Rentals of Real Property	9,281,530	5%	464,076
14. Rentals of Personal Property	6,925,586	5%	346,279
15. Contracting	48,639,103	5%	2,431,955
17. Retail	324,466,922	5%	16,223,346
25. Hotel/Motel	14,954,213	5.5%	822,482
Other Taxable Activities	104,912,278		3,437,763
TOTAL	$ 608,934,092		$ 28,713,625

Figures may not add to total due to rounding.

TABLE 19
CALCULATED SALES TAX COLLECTIONS
IN PIMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 589,206,779	5%	$ 29,460,339
5. Communications	140,340,122	5%	7,017,006
9. Publishing	13,511,951	5%	675,598
11. Restaurants and Bars	504,302,011	5%	25,215,101
12. Amusements	53,839,232	5%	2,691,962
13. Rentals of Real Property	343,585,753	5%	17,179,288
14. Rentals of Personal Property	197,815,897	5%	9,890,795
15. Contracting	599,620,215	5%	29,981,011
17. Retail	3,060,848,018	5%	153,042,401
25. Hotel/Motel	157,425,120	5.5%	8,658,382
Other Taxable Activities	456,949,014		15,901,830
TOTAL	$ 6,117,444,113		$ 299,713,711

Figures may not add to total due to rounding.

TABLE 20
CALCULATED SALES TAX COLLECTIONS
IN PINAL COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 142,969,996	5%	$ 7,148,500
5. Communications	16,012,505	5%	800,625
9. Publishing	1,159,429	5%	57,971
11. Restaurants and Bars	49,858,199	5%	2,492,910
12. Amusements	5,200,406	5%	260,020
13. Rentals of Real Property	15,939,034	5%	796,952
14. Rentals of Personal Property	15,139,966	5%	756,998
15. Contracting	82,517,147	5%	4,125,857
17. Retail	294,713,927	5%	14,735,696
25. Hotel/Motel	8,127,750	5.5%	447,026
Other Taxable Activities	387,974,846		9,375,514
TOTAL	$ 1,019,613,203		$ 40,998,073

Figures may not add to total due to rounding.

TABLE 21
CALCULATED SALES TAX COLLECTIONS
IN SANTA CRUZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
5. Communications	$ 5,593,351	5%	$ 279,668
9. Publishing	61,596	5%	3,080
11. Restaurants and Bars	20,003,721	5%	1,000,186
12. Amusements	1,151,583	5%	57,579
13. Rentals of Real Property	15,257,788	5%	762,889
14. Rentals of Personal Property	4,647,672	5%	232,384
15. Contracting	28,277,966	5%	1,413,898
17. Retail	174,530,610	5%	8,726,530
25. Hotel/Motel	5,915,931	5.5%	325,376
Other Taxable Activities	22,426,925		1,088,215
TOTAL	$ 277,867,142		$ 13,889,806

Figures may not add to total due to rounding.

TABLE 22
CALCULATED SALES TAX COLLECTIONS
IN YAVAPAI COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
4. Utilities	$ 98,738,011	5%	$ 4,936,901
5. Communications	19,427,870	5%	971,394
9. Publishing	1,121,447	5%	56,072
11. Restaurants and Bars	73,863,254	5%	3,693,163
12. Amusements	4,100,789	5%	205,039
13. Rentals of Real Property	32,663,225	5%	1,633,161
14. Rentals of Personal Property	14,838,021	5%	741,901
15. Contracting	129,370,315	5%	6,468,516
17. Retail	345,149,569	5%	17,257,478
25. Hotel/Motel	15,485,958	5.5%	851,728
Other Taxable Activities	124,208,575		3,434,488
TOTAL	$ 858,967,035		$ 40,249,841

Figures may not add to total due to rounding.

TABLE 23
CALCULATED SALES TAX COLLECTIONS
IN YUMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1989 AND ENDING JUNE 30, 1990

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME CALCULATED	TAX RATE	SALES TAX COLLECTIONS (CALCULATED)
5. Communications	$ 15,562,948	5%	$ 778,147
11. Restaurants and Bars	69,471,125	5%	3,473,556
13. Rentals of Real Property	28,283,456	5%	1,414,173
14. Rentals of Personal Property	22,861,602	5%	1,143,080
15. Contracting	70,977,795	5%	3,548,890
17. Retail	450,127,791	5%	22,506,390
25. Hotel/Motel	17,322,096	5.5%	952,715
Other Taxable Activities	132,688,770		5,767,661
TOTAL	$ 807,295,585		$ 39,584,613

Figures may not add to total due to rounding.

TABLE 24
STATE SALES TAX DISTRIBUTION TO COUNTIES
1985-86 THROUGH 1989-90

COUNTY	1985-86	1986-87	1987-88	1988-89	1989-90
Apache	$ 2,413,543	$ 2,855,747	$ 2,855,747	$ 2,855,747	$ 2,890,723
Cochise	3,493,498	3,431,334	3,476,947	3,732,369	3,988,680
Coconino	5,471,965	5,610,720	5,837,146	6,540,600	6,907,565
Gila	2,324,779	2,136,012	2,333,551	2,717,820	2,810,317
Graham	720,315	687,487	707,622	766,463	822,629
Greenlee	1,040,083	1,026,409	1,455,429	1,938,831	2,057,123
La Paz	830,669	795,295	841,691	1,005,943	1,069,630
Maricopa	116,405,844	124,891,722	131,829,415	145,710,409	153,312,885
Mohave	3,980,503	4,164,980	4,281,442	4,911,808	5,896,249
Navajo	3,997,581	4,506,484	4,659,465	4,734,392	4,942,403
Pima	31,966,001	33,291,637	34,663,653	37,449,324	38,659,812
Pinal	4,292,030	4,412,252	4,928,417	5,884,454	6,311,884
Santa Cruz	1,158,205	1,180,945	1,252,506	1,522,728	1,685,339
Yavapai	4,710,438	4,751,896	5,223,667	5,786,096	6,066,679
Yuma	3,869,368	3,898,260	4,143,925	4,532,553	4,799,367
	$ 186,674,822	$ 197,641,179	$ 208,490,623	$ 230,089,535	$ 242,221,287

County distributions are based on relative assessed valuation and sales in the county

Figures may not add to totals due to rounding

TABLE 25
STATE SALES TAX DISTRIBUTION TO MUNICIPALITIES
FOR FISCAL YEAR 1989–1990

CITIES BY COUNTY	AMOUNT	COUNTY TOTAL
APACHE		
Eagar	$ 257,458	
Springerville	120,911	
St. Johns	216,726	$ 595,095
COCHISE		
Benson	273,853	
Bisbee	460,349	
Douglas	840,263	
Huachuca City	106,883	
Sierra Vista	1,852,465	
Tombstone	105,017	
Willcox	208,682	3,847,513
COCONINO		
Flagstaff	2,461,138	
Fredonia	66,922	
Page	416,271	
Williams	145,814	3,090,145
GILA		
Globe	443,104	
Hayden	77,540	
Miami	174,771	
Payson	450,633	
Winkelman	68,209	1,214,257
GRAHAM		
Pima	102,893	
Safford	451,083	
Thatcher	221,102	775,078
GREENLEE		
Clifton	273,159	
Duncan	38,802	311,962
LA PAZ		
Parker	163,574	
Quartzsite	92,251	255,825
MARICOPA		
Avondale	720,502	
Buckeye	243,173	
Carefree	97,681	
Cave Creek	148,066	
Chandler	4,106,530	
El Mirage	277,149	
Fountain Hills	223,725	
Gila Bend	128,633	
Gilbert	778,746	
Glendale	7,875,745	
Goodyear	295,875	
Guadalupe	296,582	
Litchfield Park	238,604	
Mesa	15,417,070	
Paradise Valley	760,471	
Peoria	1,775,891	
Phoenix	57,884,409	
Queen Creek	$ 128,258	
Scottsdale	6,978,404	
Surprise	258,681	
Tempe	8,554,621	
Tolleson	285,579	
Wickenburg	252,568	
Youngtown	147,165	$ 107,874,128
MOHAVE		
Bullhead City	1,099,781	
Colorado City	135,068	
Kingman	671,026	
Lake Havasu City	1,142,122	3,047,997
NAVAJO		
Holbrook	372,256	
Pinetop-Lakeside	153,729	
Show Low	323,480	
Snowflake	235,258	
Taylor	129,083	
Winslow	509,705	1,723,511
PIMA		
Marana	107,719	
Oro Valley	350,569	
South Tucson	421,740	
Tucson	23,770,289	24,650,318
PINAL		
Apache Junction	918,833	
Casa Grande	1,006,861	
Coolidge	440,852	
Eloy	401,535	
Florence	392,140	
Kearny	170,266	
Mammoth	122,648	
Superior	296,003	3,749,138
SANTA CRUZ		
Nogales	1,009,178	
Patagonia	63,062	1,072,239
YAVAPAI		
Camp Verde	376,439	
Chino Valley	245,618	
Clarkdale	109,135	
Cottonwood	322,322	
Jerome	30,244	
Prescott	1,372,876	
Prescott Valley	352,051	
Sedona	470,323	3,279,008
YUMA		
San Luis	180,755	
Somerton	281,911	
Wellton	60,488	
Yuma	3,011,961	3,535,115
TOTAL	$ 159,021,328	$ 159,021,328

City distributions are based on relative population.
Figures may not add to total due to rounding.

TABLE 26
MUNICIPAL SALES TAX COLLECTION PROGRAM
COLLECTIONS BY CITY
FOR FISCAL YEAR 1989-90

CITY	RATE (PERCENT)		COLLECTIONS	CITY	RATE (PERCENT)		COLLECTIONS
Apache Junction	2*	$	3,027,483	Oro Valley	2	$	1,189,592
Avondale	1*		883,082	Page	1*		1,028,152
Benson	2		650,913	Paradise Valley	1*		2,214,463
Bisbee	2		666,635	Parker	2*		634,045
Buckeye	1		235,150	Payson	2		1,848,717
Bullhead City	2		4,097,041	Pima	1		48,968
Camp Verde	1		205,954	Pinetop-Lakeside	2.5		1,326,320
Carefree	1		335,889	Prescott Valley	2		1,058,040
Casa Grande	2*		3,424,585	Quartzsite	1		59,320
Cave Creek	1.5*		285,443	Safford	1		763,340
Chino Valley	2		513,557	San Luis	2		702,304
Clarkdale	2*		93,675	Sedona	2*		3,271,266
Clifton	1		81,594	Show Low	2		1,897,077
Colorado City	1*		27,654	Sierra Vista	1.2*		2,588,807
Coolidge	2*		976,678	Snowflake	2		299,173
Cottonwood	2*		2,416,313	Somerton	2		234,689
Douglas	2		1,992,778	South Tucson	2		1,045,430
Duncan	2		62,402	Springerville	3*		941,493
Eagar	2		228,449	St. Johns	2*		298,815
El Mirage	2		330,530	Superior	1		55,881
Eloy	1.5*		745,346	Surprise	1*		675,597
Florence	2		245,773	Taylor	1		161,642
Fredonia	2		74,173	Thatcher	1		391,777
Gila Bend	2*		256,883	Tolleson	2		786,261
Gilbert	1		2,986,331	Tombstone	2		190,083
Glendale	1		75,358 (1)	Wellton	2		183,200
Globe	1		573,255	Wickenburg	1		629,503
Goodyear	2		1,723,735	Willcox	2*		660,513
Guadalupe	2		343,152	Williams	3*		850,207
Holbrook	2,1		1,080,701	Winkelman	2		48,515
Huachuca City	1		49,425	Winslow	2*		1,351,478
Jerome	2*		96,710	Youngtown	1		163,008
Kearny	1		93,843	Yuma	1		5,904,448
Kingman	2*		3,180,710				
Lake Havasu City	1		2,957,270	TOTAL		$	69,436,099
Litchfield Park	2*		529,096				
Marana	2		317,717				
Miami	1		68,692				

* Jurisdiction levied at more than one rate during the fiscal year. Rate shown is either the current rate or the rate charged on most transactions.

(1) The City of Glendale was no longer part of the Department's Collection program. This figure does not represent a full year's collection by the city.

Figures may not add to total due to rounding.

TABLE 27
MUNICIPAL SALES TAX COLLECTION PROGRAM
1975-76 THROUGH 1989-90

FISCAL YEAR	TOTAL COLLECTIONS	NUMBER OF CITIES IN PROGRAM
1975-76	$ 10,679,373	37
1976-77	12,979,383	40
1977-78	16,107,372	43
1978-79	20,708,038	50
1979-80	24,024,045	52
1980-81	27,408,078	57
1981-82	31,132,392	59
1982-83	34,141,550	59
1983-84	39,237,842	60
1984-85	45,595,426	64
1985-86	51,527,477	64
1986-87	56,602,528	66
1987-88	63,372,873	69
1988-89	69,681,317	69
1989-90	69,436,099	71

Income Tax

In the State of Arizona, there are two categories of income tax: corporate, which is levied against incorporated entities doing business in Arizona; and individual, which is levied against those persons who earn income in Arizona. (Refer to Table 28)

Employers are required to withhold a portion of employees' wages for application toward their Arizona individual income tax liability. Arizona withholds taxes at rates of 10 percent, 17 percent, 22 percent or 25 percent of federal withholding. The 10 percent rate is mandatory on wages of less than $15,000, and the 17 percent rate is mandatory on wages of $15,000 or more. The 22 and 25 percent rates are optional to the taxpayer. Under the provisions of House Bill 2028, the rates for withholding are increased on January 1, 1991, from 17 to 20 percent, 22 to 25 percent and 25 to 29 percent.

Corporate Income Tax-Major Features

There are approximately 54,500 corporations filing in the State of Arizona with gross taxes of $238.18 million. (Refer to Table 28) Every corporation registered to conduct business in Arizona is required to file a corporate income tax return.

Corporations are required to make estimated tax payments every quarter during the tax year only if (1) their Arizona tax liability exceeds $1,000 and (2) if they are required to file federal estimated tax payments. There is a minimum $50 liability imposed on all corporate returns.

For the 1989 tax year, corporate income taxes graduated up to a maximum 10.5 percent on income over $6,000. Under the provisions of H.B. 2028, the corporate rate structure was revised to a flat 9.3 percent on taxable income with the minimum tax at $50. Those provisions will apply for the 1990 tax year.

Individual Income Tax - Major Features

There are approximately 1.46 million individual filers reporting income totaling more than $35 billion. Individuals with a federal adjusted gross income of more than $100,000 are required to file estimated tax payments. Additionally, any portion of any individual's income tax refund can be applied to the next year's income taxes as an estimated payment.

For the annual filing, individuals use federal adjusted gross income as a starting point to compute Arizona taxable income. In 1989, individuals were allowed to subtract federal income taxes withheld or paid during the tax year. Rates were graduated from 2 percent on individual income of up to $1,290 (or joint income of $2,580) to a maximum of 8 percent on individual income over $7,740 (or joint income over $15,480). Individual tax brackets, exemptions, and credits to individual income tax were indexed for inflation. (Refer to Table 29)

For the 1990 tax year, under the provisions of H.B. 2028, federal income taxes withheld or paid during the tax year are no longer allowed as a subtraction from income. The rate structure is graduated from 3.8 percent on individual income of up to $10,000 (or joint income of $20,000) to a maximum of 7 percent on individual income over $150,000 (or joint income over $300,000). There no longer is a system to index for inflation.

The senior citizens property tax credit is a refundable income tax credit granted to persons 65 years of age or older with household incomes that do not exceed $3,750 for persons living alone or $5,500 for persons living with a spouse or other person. The amount of property tax credit reduces as income increases from zero to the maximum limit. This credit cannot exceed the actual amount of property tax paid by the taxpayer. (Refer to Tables 29 and 30)

The renter's tax credit is a refundable income tax credit granted to persons who pay rent for their principal home for at least six months of the calendar year. The maximum allowable renter's tax credit for a full-year renter in 1989 was 5 percent of the total rent paid, not to exceed $70. For tax year 1990, the credit cannot exceed $55. Under the provisions of H.B. 2028, the credit will be limited to only those taxpayers with a federal adjusted gross income of $25,000 or less. (Refer to Tables 29 and 30)

For the 1989 tax year, individuals were allowed a special subtraction in computing Arizona adjusted gross income; either 65 percent of federal income tax liability, not to exceed $5,000 (or $10,000 in the case of a joint return), or $600, whichever was larger. That special subtraction no longer exists.

Distribution

State income tax collections are shared with Arizona municipalities in an Urban Revenue Sharing program. Each year, an amount equal to 15 percent of net collections from two years prior is distributed to cities and towns. This distribution is based on population and is given only to incorporated cities and towns. The remainder is deposited to the state general fund after amounts sufficient to pay refunds are set aside. (Refer to Tables 28, 31 and 32)

Contributions indicated by the taxpayer to Child Abuse Prevention, wildlife programs and political parties are distributed to the appropriate agency/political party or organization (Refer to Table 28.)

TABLE 28
INCOME TAX COLLECTIONS

SOURCE	1985–86	1986–87	1987–88	1988–89	1989–90	PERCENT OF NET COLLECTIONS IN 1989–90
Withheld from Wages						
Gross Revenue	$ 576,701,782	$ 599,660,202	$ 698,699,875	$ 773,395,690	$ 823,315,492	
Refunds and Charge–offs	148,652,578	171,542,248	2,247,014 (1)	2,090,239	4,498,512	
NET	$ 428,049,204	$ 428,117,954	$ 696,452,861	$ 771,305,451	$ 818,816,980	70%
Individual & Fiduciaries						
Gross Revenue	$ 275,161,560	$ 333,498,960	$ 345,881,711	$ 370,129,112	$ 461,313,249	
Refunds and Charge–offs	253,964	195,226	188,354,346 (1)	229,270,341	283,724,544	
NET	$ 274,907,596	$ 333,303,734	$ 157,527,365	$ 140,858,772	$ 177,588,705	15%
Corporations						
Gross Revenue	$ 213,236,463	$ 249,213,473	$ 229,759,928	$ 257,153,477	$ 238,183,418	
Refunds and Charge–offs	44,553,812	50,264,849	79,011,174	56,283,751	60,116,316	
NET	$ 168,682,651	$ 198,948,624	$ 150,748,754	$ 200,869,726	$ 178,067,102	15%
Sub–total Net Collections	$ 871,639,451	$ 960,370,312	$ 1,004,728,980	$ 1,113,033,948	$ 1,174,472,787	100%
Less distributions for:						
Urban Revenue Sharing	$ 99,574,591	$ 124,212,169	$ 130,653,468	$ 143,956,984	$ 150,622,581	
Contracted Collection Agency	127,478	133,834	82,254	47,571	15,780	
Wildlife Contributions	228,176	244,496	232,818	259,620	245,405	
Child Abuse Prevention	260,616	278,754	263,369	281,996	274,018	
Democratic Party				10,342	10,733	
Republican Party				10,583	11,192	
Libertarian Party				1,342	1,254	
New Alliance				733	88	
Sub–Total Distributions	$ 100,190,861	$ 124,869,253	$ 131,231,909	$ 144,569,171	$ 151,181,051	
NET REVENUE TO STATE GENERAL FUND	$ 771,448,590	$ 835,501,060	$ 873,497,071	$ 968,464,778	$ 1,023,291,736	

(1) The method of accounting for refunds and charge-offs changed in the 1987-88 fiscal year.

TABLE 29

EXEMPTIONS, DEDUCTIONS & CREDITS INDEXED TO INFLATION

TAX YEAR	PERSONAL EXEMPTION	BLIND EXEMPTION	AGE 65 AND OVER EXEMPTION	DEPENDENT EXEMPTION	STANDARD DEDUCTION %	STANDARD DEDUCTION LIMIT (1)	MAXIMUM RENTER'S CREDIT	MAXIMUM PROPERTY TAX CREDIT
1977 (base year)	$ 1,000	$ 500	$ 1,000	$ 600	10.00 %	$ 500/1,000	$ 50	$ 225
1978	1,101	551	1,101	661	11.00	551/1,101	83 (2)	248
1979	1,226	613	1,226	736	12.00	613/1,226	92	276
1980	1,422	711	1,422	854	14.00	711/1,422	107	320
1981	1,589	795	1,589	954	16.00	795/1,589	120	358
1982	1,729	865	1,729	1,038	17.00	865/1,729	130	389
1983	1,759	880	1,759	1,056	18.00	880/1,759	132	396
1984	1,834	917	1,834	1,100	18.00	917/1,834	100 (3)	413 (4)
1985	1,941	971	1,941	1,165	19.40	971/1,941	100	437
1986	1,996	998	1,996	1,198	19.96	998/1,996	100	449
1987	2,045	1,023	2,045	1,227	20.45	1,023/2,045	100	460
1988	2,125	1,062	2,125	1,275	21.25	1,063/2,125	85	478
1989	2,229	1,115	2,229	1,337	22.29	1,115/2,229	70	502

(1) Amounts shown are for individual and married-filing-jointly returns.

(2) Base for renter's credit changed to $75 in 1978.

(3) As of the 1984 tax year, the renter's tax credit is 5 percent of rent paid or $100, whichever is less.

(4) As of the 1984 tax year, the property tax credit is capped based on the actual property tax paid.

TABLE 30
SELECTED INDIVIDUAL INCOME TAX CREDITS

CREDIT	1986–1987 CLAIMANTS	1986–1987 CREDITS	1987–1988 CLAIMANTS	1987–1988 CREDITS	1988–1989 CLAIMANTS	1988–1989 CREDITS	1989–1990 CLAIMANTS	1989–1990 CREDITS
Miscellaneous Credit (1)	26,566	$ 17,123,718	21,414	$ 15,865,098	20,140	$ 19,951,301	18,137	$ 19,196,334
Property Tax	28,682	6,012,423	26,642	6,089,507	26,467	6,310,637	25,112	6,368,953
Renter's	243,917	22,300,377	240,812	22,284,559	249,307	20,021,668	249,013	16,689,545
TOTAL CREDITS		$ 45,436,518		$ 44,239,164		$ 46,283,606		$ 42,254,832

(1) Includes solar development credit, commercial solar credit, foreign tax credit and groundwater measuring device credit.

TABLE 31
URBAN REVENUE SHARING

FISCAL YEAR	AMOUNT
1975-76	$ 26,558,140
1976-77	30,313,600
1977-78	31,405,355
1978-79	36,356,905
1979-80	42,997,581
1980-81	53,942,465
1981-82	65,083,596
1982-83	73,596,099
1983-84	83,061,596
1984-85	96,166,908
1985-86	108,637,795 (1)
1986-87	124,212,169
1987-88	130,653,477
1988-89	143,956,984
1989-90	150,622,581

(1) Distributed in FY 85-86. $99,574,591 came from FY 85-86 receipts. The remaining $9,063,204 was set aside from FY 84-85 receipts.

TABLE 32
DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING TO MUNICIPALITIES IN 1989-90

CITIES BY COUNTY	AMOUNT	% OF TOTAL
APACHE		
Eagar	$ 244,639.12	0.162419 %
Springerville	114,890.50	0.076277
St. Johns	205,934.64	0.136722
COCHISE		
Benson	260,138.90	0.172709
Bisbee	437,427.71	0.290413
Douglas	798,424.76	0.530083
Huachuca City	101,561.02	0.067427
Sierra Vista	1,760,227.61	1.168635
Tombstone	99,787.81	0.066250
Willcox	198,291.57	0.131648
COCONINO		
Flagstaff	2,338,593.34	1.552618
Fredonia	63,590.28	0.042218
Page	395,543.72	0.262606
Williams	138,553.41	0.091987
GILA		
Globe	421,040.97	0.279534
Hayden	73,679.10	0.048916
Miami	166,068.44	0.110255
Payson	428,194.87	0.284283
Winkelman	64,813.16	0.043030
GRAHAM		
Pima	97,770.03	0.064911
Safford	428,622.88	0.284567
Thatcher	210,092.48	0.139483
GREENLEE		
Clifton	259,558.36	0.172324
Duncan	36,870.16	0.024479
LA PAZ		
Parker	155,429.32	0.103191
MARICOPA		
Avondale	656,627.63	0.435942
Buckeye	231,065.03	0.153407
Carefree	92,817.32	0.061622
Cave Creek	140,693.46	0.093408
Chandler	3,902,057.99	2.590620
El Mirage	263,349.33	0.174841
Gila Bend	122,227.83	0.081148
Gilbert	739,970.62	0.491275
Glendale	7,483,596.57	4.968443
Goodyear	281,142.36	0.186654
Guadalupe	281,814.96	0.187100
Litchfield Park	226,723.77	0.150524
Mesa	14,649,425.16	9.725916
Paradise Valley	722,605.58	0.479746
Peoria	1,687,465.64	1.120327
Phoenix	54,994,179.50	36.511245
Scottsdale	6,630,936.61	4.402352
Surprise	245,800.87	0.163190
Tempe	$ 8,128,670.93	5.396715 %
Tolleson	271,359.24	0.180158
Wickenburg	239,992.13	0.159333
Youngtown	139,837.44	0.092840
MOHAVE		
Bullhead City	1,045,020.48	0.693801
Colorado City	128,342.27	0.085208
Kingman	637,614.76	0.423320
Lake Havasu City	1,085,253.54	0.720512
NAVAJO		
Holbrook	353,720.87	0.234839
Pinetop-Lakeside	146,074.19	0.096980
Show Low	307,373.36	0.204069
Snowflake	223,544.28	0.148414
Taylor	122,655.86	0.081433
Winslow	484,325.51	0.321549
PIMA		
Marana	102,355.89	0.067955
Oro Valley	329,660.80	0.218865
South Tucson	400,740.99	0.266056
Tucson	22,567,647.11	14.982911
PINAL		
Apache Junction	873,082.20	0.579649
Casa Grande	956,727.85	0.635182
Coolidge	418,900.89	0.278113
Eloy	381,541.62	0.253310
Florence	372,614.53	0.247383
Kearny	161,788.33	0.107413
Mammoth	116,541.39	0.077373
Superior	281,264.67	0.186735
SANTA CRUZ		
Nogales	958,929.03	0.636644
Patagonia	59,921.63	0.039783
YAVAPAI		
Camp Verde	357,695.29	0.237478
Chino Valley	233,388.50	0.154949
Clarkdale	103,701.05	0.068848
Cottonwood	306,272.76	0.203338
Jerome	28,737.90	0.019079
Prescott	1,304,517.69	0.866084
Prescott Valley	334,521.51	0.222093
Sedona	446,905.08	0.296705
YUMA		
San Luis	171,754.86	0.114030
Somerton	267,874.03	0.177845
Wellton	57,475.82	0.038159
Yuma	2,861,990.18	1.900107
TOTAL	$ 150,622,580.85	100.0000 %

Property Tax

Property Tax

Tax Base

In Arizona the property tax is an ad valorem tax, a tax on the value of property. For tax purposes, all properties in Arizona carry two values: limited property value and full cash value. Taxes based on the limited property value, called primary property taxes, are used to pay for the basic maintenance and operations of a jurisdiction. (Refer to Table 33) For properties that have not been physically changed since the prior year (i.e., been remodelled or had additions constructed), the yearly growth in value is limited to the larger of 10 percent or 25 percent of the difference between the prior year's limited property value and the new full cash value. The full cash value is unlimited and is based on the real estate market. Taxes based on this value are referred to as secondary property taxes and are used to pay for bonded indebtedness, voter-approved overrides and special district levies. (Refer to Table 34) More than 60 percent of the total primary tax levy was levied directly for educational purposes. In addition, as indicated by Table 34, approximately 50 percent of secondary tax was also levied for education.

All taxable property in Arizona is classified according to its current use. Each class has an assessment ratio, which is the percentage of the limited or full cash value used as a tax base. The assessment ratios are prescribed by law and those in effect in 1990 are shown below.

Classification	Ratio
1. Producing mines, standing timber	30%
2. Telecommunication property, gas, electric and water utilities, pipelines	30%
3. Commercial and industrial property	25%
4. Agricultural and vacant land	16%
5. Owner-occupied residential property	10%
6. Rental residential property	14%
7. Railroad and private rail car property, airline flight property	24%
8. Historic property	5%
9. Producing oil and gas interests	100%

H.B. 2028, passed in 1990, established Class 1 and 2 assessment ratios at 30 percent; and established the Class 6 assessment ratio at 14 percent in 1990, with additional reductions of 1 percentage point per year to be made until 1992 when the Class 6 ratio will remain at 12 percent.

General Property Tax Administration

Duties of property assessment are divided between the Department and the 15 counties. The Department values utilities, airlines, railroads, mines and other geographically-dispersed properties. (Refer to Graph 35 and Table 36) Values determined by the Department for those properties are transmitted to the county boards of supervisors for entry upon the county tax rolls for levy and collection of property taxes.

County assessors, utilizing standards and manuals established by the Department, are responsible for assessment of other classes of property, including residential, commercial, industrial and agricultural properties. (Refer to Tables 37, 37A and Graph 38)

Appeals of valuation or classification for locally assessed properties originate with the property owner's petition for review filed with the county assessor. Such appeals may be continued to the County Board of Equalization and the State Board of Tax Appeals. Appeals also may be carried on to the State Tax Court.

For properties valued by the Department, valuation or classification appeals may be filed with the Department, the State Board of Tax Appeals and the State Tax Court.

Tax Collection and Distribution

Other than the two exceptions noted below, county treasurers collect all property taxes and distribute receipts to all taxing entities. The state property tax collected by the counties is deposited in the state general fund.

Taxes levied on airline flight properties and private rail car properties are collected by the Department and deposited with the State Treasurer. Taxes on airline flight properties and private car companies are levied at the average state tax rate. (See Table 39) This rate is derived by dividing the total of all of the levies in the state by the total net assessed value in the state. This calculation produces the weighted average of all of the levies in the state and is applied to airline flight properties and private rail cars.

Equalization

In 1987 the Legislature gave the Department the authority to issue biennial equalization orders to ensure that all property in the state is valued (assessed) for tax purposes at its full cash value. This equalization process took effect with the 1988 tax year.

The Department's primary tool in evaluating assessment performance is its sales ratio study, which compares assessed values with sales prices of recently sold properties. These studies are performed several times each year by county, type of property and area. Table 40 and Graph 41 show statewide median sales ratios and coefficients of dispersion for the tax years 1980 through 1990. Sales ratios are derived by dividing assessed values by sales prices of recently sold properties. The median sales ratio is the middle sales ratio when the ratios are arrayed in order of magnitude; in other words, there are an equal number of properties above and below the median.

Coefficients of dispersion are measures of the uniformity or consistency of sales ratios and are a measure of how equally all taxpayers are treated. General coefficient of dispersion targets are currently 25 percent for vacant land and commercial properties, and 15 percent for residential properties. Lower coefficients of dispersion indicate greater equity in property assessments.

Centrally Valued Properties

The Centrally Valued Properties Unit of the Property Valuation Section of the Department's Division of Property Valuation and Equalization is responsible for the annual valuation of 11 industries for ad valorem property tax purposes. (See chart below)

Generally, these are large, complex properties which are often located in more than one county and/or in more than one state. Values are determined for the entire system and then apportioned to Arizona and to the individual taxing jurisdictions. They are referred to as "centrally valued" because they are valued (assessed) by the Department rather than by the 15 county assessors who are responsible for all residential, commercial, and vacant land. The value of centrally-valued properties accounts for more than one-fifth of all the assessed value of property in Arizona. (See Tables 37, 37A and Graph 38)

Except for private rail cars, the values are established for these industries by the first Monday in June each year. Private rail car values are established by October 15 each year. Any taxpayer dissatisfied with the value determined by the Department may appeal to the Board of Tax Appeals, Division One. The Board of Tax Appeals conducts hearings with centrally valued taxpayers during July and must render its final decision, by July 31.

The number of centrally valued properties included in each of the industries valued by the Department is as follows:

Industry	Number of Properties			
	1987	1988	1989	1990
Railroads	8	6	6	9
Telecommunications	22	21	21	22
Gas Transmission (Pipelines)	9	9	9	9
Electric & Gas Utilities	25	25	23	26
Electric Cooperatives	12	12	12	12
Municipal Utility (Salt River Project)	1	1	1	1
Water Utilities	378	400	432	432
Airlines (Aircraft)	32	35	35	34
Private Rail Cars	270	275	275	280
Mines (Producing)	46	39	51	53
Mines (Non-Producing)	11	9	9	7
Producing Oil & Gas Interests	4	3	4	4
TOTAL	818	835	878	889

TABLE 33
STATE OF ARIZONA
1990 PRIMARY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	$ 416,573,304	$ 4,684,318	$ 2,949,339	$ 0	$ 0	$ 9,638,718	$ 0	$ 17,272,375	$ 4.15
COCHISE	368,418,912	3,011,456	12,793,014	1,128,487	5,981,308	15,934,808	0	38,849,073	10.54
COCONINO	594,907,051	2,796,063	5,805,103	1,633,743	0	25,080,698	0	35,315,607	5.94
GILA	248,420,986	1,167,579	9,414,650	1,347,628	0	12,019,094	0	23,948,951	9.64
GRAHAM	60,370,165	283,740	1,518,008	110,093	957,169	1,990,157	0	4,859,167	8.05
GREENLEE	111,934,052	526,090	818,851	5,393	0	4,029,917	0	5,380,251	4.81
LA PAZ	99,221,095	466,339	2,759,534	0	1,680,011	3,280,927	0	8,186,811	8.25
MARICOPA	14,132,936,570	123,002,067	212,626,503	56,248,029	99,594,804	616,022,515	0	1,107,493,918	7.84
MOHAVE	517,453,526	2,432,032	11,959,867	150,000	4,663,808	22,949,293	0	42,155,000	8.15
NAVAJO	514,490,109	6,431,153	4,683,271	198,754	4,184,252	15,595,393	0	31,092,823	6.04
PIMA	2,983,159,724	14,020,851	126,034,670	4,655,860	26,879,215	150,799,888	0	322,390,484	10.81
PINAL	546,876,794	2,570,321	26,598,447	1,199,620	8,551,512	26,715,329	0	65,6[illegible],229	12.00
SANTA CRUZ	125,299,533	588,908	4,233,872	0	0	5,682,568	0	10,50[illegible],348	8.38
YAVAPAI	597,727,081	2,762,317	15,292,450	885,774	8,958,387	27,333,387	0	55,232,315	9.40
YUMA	372,513,546	1,750,814	9,140,526	3,003,696	6,307,396	17,614,885	0	37,817,317	10.15
TOTAL STATE	$ 21,680,302,448	$ 166,494,048	$ 446,628,105	$ 70,567,077	$ 167,757,862	$ 954,687,577	$ 0	$ 1,806,134,669	$ 8.33

AVERAGE STATE PRIMARY TAX RATE PER $100 $8.33

1989 PRIMARY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	$ 403,231,436	$ 1,895,188	$ 2,629,875	$ 0	$ 0	$ 9,105,618	$ 0	$ 13,630,681	$ 3.38
COCHISE	358,023,219	1,682,709	11,960,481	1,020,985	5,447,373	14,259,475	0	34,371,023	9.60
COCONINO	558,042,389	2,622,799	5,181,424	1,569,860	0	22,457,751	0	31,831,834	5.70
GILA	208,371,787	979,347	9,036,740	871,249	0	10,380,894	0	21,268,230	10.21
GRAHAM	59,633,055	280,275	1,609,615	108,191	896,166	2,151,586	0	5,045,833	8.46
GREENLEE	104,549,405	491,382	755,892	5,492	0	3,391,572	0	4,644,338	4.44
LA PAZ	96,795,380	454,938	2,686,944	0	1,508,460	3,436,733	0	8,087,075	8.35
MARICOPA	13,686,040,350	64,324,390	197,430,202	52,005,504	94,016,141	597,673,935	0	1,005,450,172	7.35
MOHAVE	479,477,564	2,253,545	11,230,803	1,409,140	4,183,567	22,225,720	0	41,302,775	8.61
NAVAJO	512,618,923	2,915,500	4,450,067	184,042	4,023,320	16,278,866	0	27,851,795	5.43
PIMA	2,984,081,952	14,025,000	125,533,410	4,523,286	23,850,000	146,329,001	0	314,260,697	10.53
PINAL	535,674,489	2,517,670	27,233,201	1,128,497	8,376,342	26,735,985	0	65,991,695	12.32
SANTA CRUZ	112,219,869	527,433	3,948,792	0	0	5,274,746	0	9,750,971	8.69
YAVAPAI	544,677,554	2,559,985	14,582,653	825,028	8,206,472	25,415,894	0	51,590,032	9.47
YUMA	357,626,901	1,680,846	8,851,080	2,796,987	5,571,855	17,919,912	0	36,820,680	10.30
TOTAL STATE	$ 21,001,064,273	$ 99,211,007	$ 427,121,179	$ 66,448,261	$ 156,079,696	$ 923,037,688	$ 0	$ 1,671,897,831	$ 7.96

AVERAGE STATE PRIMARY TAX RATE PER $100 $7.96

TABLE 34
STATE OF ARIZONA
1990 SECONDARY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	$ 420,275,797	$ 0	$ 1,536,108	$ 0	$ 0	$ 5,273,282	$ 821,686	$ 7,631,076	$ 1.82
COCHISE	375,912,863	0	2,182,068	128,179	0	4,618,201	3,240,574	10,169,022	2.71
COCONINO	601,870,951	0	1,315,999	2,901,520	0	8,111,531	3,374,603	15,703,653	2.61
GILA	251,343,906	0	685,554	13,175	957,000	2,813,115	969,646	5,438,490	2.16
GRAHAM	60,670,643	0	15,532	0	71,227	1,690,472	200,845	1,978,076	3.26
GREENLEE	112,266,616	0	9,140	0	0	1,240,544	63,153	1,312,837	1.17
LAPAZ	105,233,349	0	70,417	0	245,299	543,000	1,031,409	1,890,125	1.80
MARICOPA	14,773,149,205	0	33,308,625	96,054,760	13,524,900	241,581,333	74,378,481	458,848,099	3.11
MOHAVE	555,323,992	0	4,090,862	523,483	0	5,657,732	7,843,332	18,115,409	3.26
NAVAJO	525,278,124	0	282,402	47,857	0	9,543,441	2,266,518	12,140,218	2.31
PIMA	3,044,972,362	0	39,450,173	11,458,460	0	42,543,520	24,416,607	117,868,760	3.87
PINAL	575,395,634	0	725,558	366,800	374,007	9,024,152	4,448,705	14,939,222	2.60
SANTA CRUZ	131,183,257	0	754,567	0	0	2,416,672	1,189,548	4,360,787	3.32
YAVAPAI	617,347,720	0	1,256,125	1,309,187	991,846	8,722,177	5,965,003	18,244,338	2.96
YUMA	383,123,731	0	2,433,201	357,198	893,061	6,059,735	2,303,320	12,046,515	3.14
TOTAL STATE	$ 22,533,348,150	$ 0	$ 88,116,331	$ 113,160,619	$ 17,057,340	$ 349,838,907	$ 132,513,430	$ 700,686,627	$ 3.11

AVERAGE STATE SECONDARY TAX RATE PER $100 $3.11

1989 SECONDARY TAX LEVIES

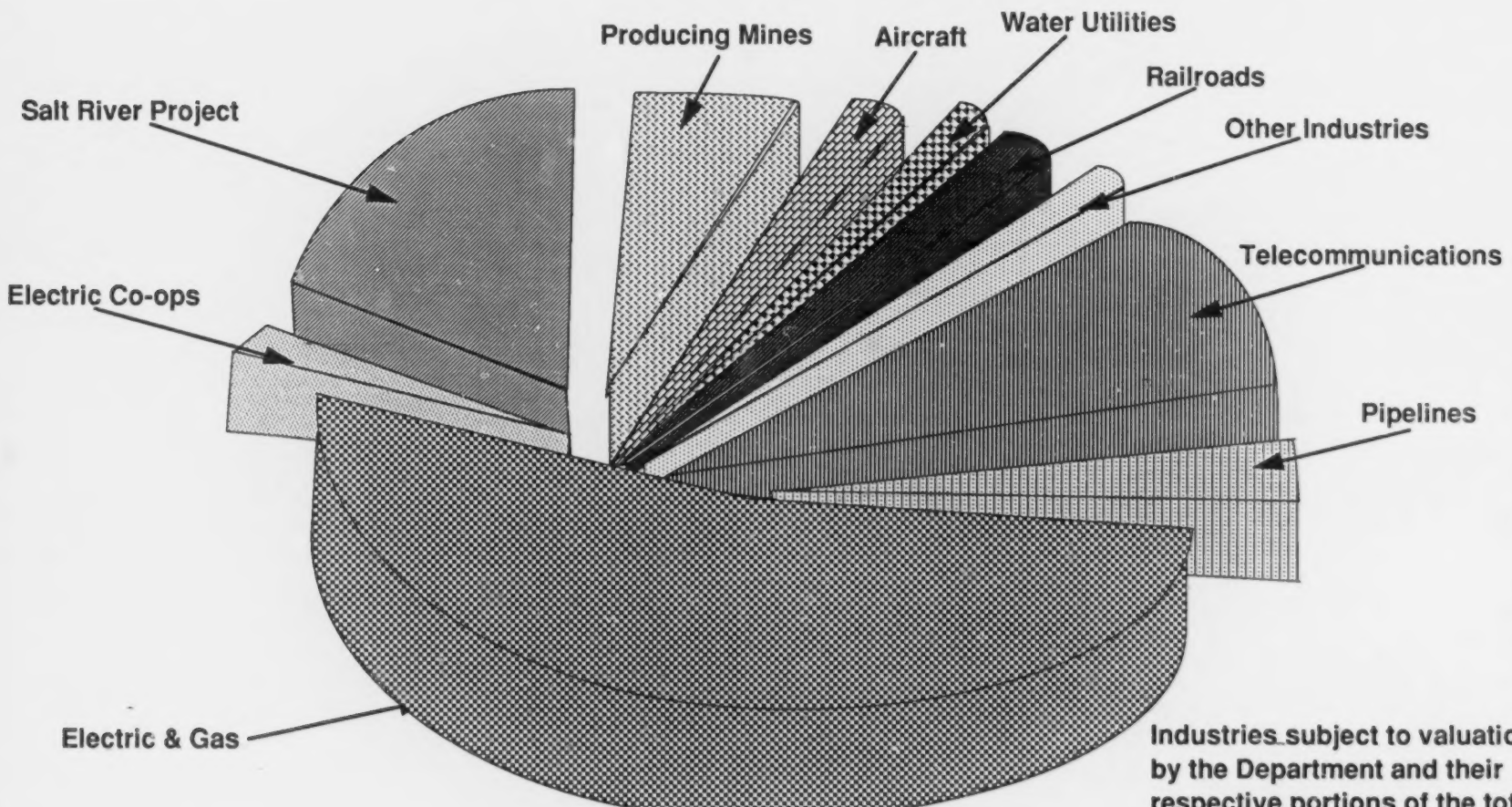
TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	$ 407,995,358	$ 0	$ 1,054,260	$ 0	$ 0	$ 5,187,402	$ 1,134,726	$ 7,376,388	$ 1.81
COCHISE	369,483,702	0	2,216,199	6,000	0	4,337,626	3,448,716	10,008,541	2.71
COCONINO	586,962,449	0	1,144,064	2,636,549	0	10,705,917	3,108,498	17,595,028	3.00
GILA	213,233,634	0	919,409	5,308	0	2,442,420	826,670	4,193,807	1.97
GRAHAM	60,021,320	0	16,806	0	86,191	1,268,736	571,210	1,942,943	3.24
GREENLEE	104,672,937	0	8,489	0	0	1,260,648	33,958	1,303,095	1.24
LAPAZ	98,560,789	0	67,397	0	194,953	504,000	950,169	1,716,519	1.74
MARICOPA	14,687,784,809	0	31,642,807	93,904,172	9,382,900	204,116,471	72,724,082	411,770,432	2.80
MOHAVE	552,352,354	0	2,337,295	507,400	0	4,687,613	7,221,153	14,753,461	2.67
NAVAJO	528,016,349	0	400,500	52,100	0	10,061,683	2,375,514	12,889,797	2.44
PIMA	3,105,394,430	0	39,802,716	13,991,050	0	47,602,229	24,024,413	125,420,408	4.04
PINAL	565,718,947	0	686,503	353,317	367,717	7,921,832	3,786,280	13,115,649	2.32
SANTA CRUZ	116,302,901	0	704,563	0	0	2,293,835	1,097,878	4,096,276	3.52
YAVAPAI	574,226,005	0	1,153,354	862,550	439,855	8,052,207	5,355,941	15,863,907	2.76
YUMA	363,135,378	0	2,348,864	350,238	718,282	5,421,311	2,186,654	11,025,349	3.04
TOTAL STATE	$ 22,333,861,362	$ 0	$ 84,503,226	$ 112,668,684	$ 11,189,898	$ 315,863,930	$ 128,845,862	$ 653,071,600	$ 2.92

AVERAGE STATE SECONDARY TAX RATE PER $100 $2.92

11/29/90

GRAPH 35

PERCENTAGE OF FULL CASH VALUE - PROPERTIES VALUED BY THE DEPARTMENT



Industries subject to valuation by the Department and their respective portions of the total 1990 full cash value of $20,143,827,000

TABLE 36
CENTRALLY ASSESSED PROPERTY VALUES

INDUSTRY	FULL CASH VALUE 1988	1989	1990
Railroads	$ 222,395,000	$ 259,545,000	$ 282,883,000
Telecomunications	2,145,349,000	2,248,058,000	2,345,063,000
Pipelines	537,896,000	560,017,000	554,801,000
Electric & Gas	10,405,009,000	11,401,496,000	11,611,908,000
Electric Cooperatives	272,418,000	285,750,000	316,441,000
Salt River Project	3,072,009,000	3,258,838,000	3,325,339,000
Water Utilities	135,555,000	146,626,000	156,768,000
Airlines (Aircraft)	346,326,000	369,656,000	413,455,000
Private Rail Cars	26,204,000	28,062,000	30,000,000 *
Mines (Producing)	770,838,000	1,018,988,000	1,104,271,000
Mines (Non-Producing)	6,157,000	4,463,000	893,000
Producing Oil & Gas	1,959,000	1,401,000	2,005,000
TOTAL	$ 17,942,115,000	$ 19,582,900,000	$ 20,143,827,000
PERCENT CHANGE		+9.1%	+2.9%

*Private Rail Cars are not valued until October of each year. Value listed for 1990 is estimated.

TABLE 37
1990 SOURCE OF PRIMARY TAX BASE

COUNTY	NET ASSESSED LIMITED VALUATION *	VALUED BY STATE AMOUNT *	VALUED BY STATE PERCENT	VALUED BY COUNTY AMOUNT *	VALUED BY COUNTY PERCENT
APACHE	$ 416,573,304	$ 350,196,685	84.07	$ 66,376,619	15.93
COCHISE	368,418,912	122,308,815	33.20	246,110,097	66.80
COCONINO	574,904,616	191,558,615	33.32	383,346,001	66.68
GILA	248,420,986	76,286,530	30.71	172,134,456	69.29
GRAHAM	60,370,165	9,198,211	15.24	51,171,954	84.76
GREENLEE	111,934,052	97,323,932	86.95	14,610,120	13.05
LA PAZ	99,221,095	46,148,537	46.51	53,072,558	53.49
MARICOPA	14,132,936,570	2,761,792,768	19.54	11,371,143,802	80.46
MOHAVE	517,453,526	81,545,709	15.76	435,907,817	84.24
NAVAJO	514,490,109	286,005,103	55.59	228,485,006	44.41
PIMA	2,983,159,724	402,985,502	13.51	2,580,174,222	86.49
PINAL	546,876,794	186,044,657	34.02	360,832,137	65.98
SANTA CRUZ	125,299,533	17,839,033	14.24	107,460,500	85.76
YAVAPAI	587,727,081	106,355,303	18.10	481,371,778	81.90
YUMA	372,513,546	73,198,562	19.65	299,314,984	80.35
TOTAL STATE	$ 21,660,300,013	$ 4,808,787,962	22.20	$ 16,851,512,051	77.80

*Does not include Salt River Project
Salt River Project Total $997,551,018

1989 SOURCE OF PRIMARY TAX BASE

COUNTY	NET ASSESSED LIMITED VALUATION *	VALUED BY STATE AMOUNT *	VALUED BY STATE PERCENT	VALUED BY COUNTY AMOUNT *	VALUED BY COUNTY PERCENT
APACHE	$ 403,231,436	$ 337,232,477	83.63	$ 65,998,959	16.37
COCHISE	358,023,219	113,014,593	31.57	245,008,626	68.43
COCONINO	558,042,389	192,311,800	34.46	365,730,589	65.54
GILA	208,371,787	66,392,733	31.86	141,979,054	68.14
GRAHAM	59,633,055	7,728,614	12.96	51,904,441	87.04
GREENLEE	104,549,405	89,606,678	85.71	14,942,727	14.29
LA PAZ	96,795,380	45,926,842	47.45	50,868,538	52.55
MARICOPA	13,686,040,350	2,734,632,856	19.98	10,951,407,494	80.02
MOHAVE	479,477,564	76,848,500	16.03	402,629,064	83.97
NAVAJO	512,618,923	291,037,194	56.77	221,581,729	43.23
PIMA	2,984,081,952	390,191,512	13.08	2,593,890,440	86.92
PINAL	535,674,489	190,588,136	35.58	345,086,353	64.42
SANTA CRUZ	112,219,869	14,829,786	13.21	97,390,083	86.79
YAVAPAI	544,677,554	95,593,061	17.55	449,084,493	82.45
YUMA	357,626,901	70,564,031	19.73	287,062,870	80.27
TOTAL STATE	$ 21,001,064,273	$ 4,716,498,813	22.46	$ 16,284,565,460	77.54

* Does not include Salt River Project
Salt River Project Total $977,651,084

29-Nov-90

TABLE 37A
1990 SOURCE OF SECONDARY TAX BASE

COUNTY	NET ASSESSED VALUATION *	VALUED BY STATE AMOUNT *	VALUED BY STATE PERCENT	VALUED BY COUNTY AMOUNT *	VALUED BY COUNTY PERCENT
APACHE	$ 420,275,797	$ 350,418,209	83.38	$ 69,857,588	16.62
COCHISE	375,912,863	122,615,956	32.62	253,296,907	67.38
COCONINO	601,870,951	192,110,556	31.92	409,760,395	68.08
GILA	251,343,906	76,334,796	30.37	175,009,110	69.63
GRAHAM	60,670,643	9,229,150	15.21	51,441,493	84.79
GREENLEE	112,266,616	97,377,072	86.74	14,889,544	13.26
LAPAZ	105,233,349	46,284,954	43.98	58,948,395	56.02
MARICOPA	14,773,149,205	2,764,849,767	18.72	12,008,299,438	81.28
MOHAVE	555,323,992	81,956,546	14.76	473,367,446	85.24
NAVAJO	525,278,124	286,506,256	54.54	238,771,868	45.46
PIMA	3,044,972,362	404,529,598	13.29	2,640,442,764	86.71
PINAL	575,395,634	186,427,207	32.40	388,968,427	67.60
SANTA CRUZ	131,183,257	18,050,038	13.76	113,133,219	86.24
YAVAPAI	617,347,720	106,756,178	17.29	510,591,542	82.71
YUMA	383,123,731	73,480,033	19.18	309,643,698	80.82
TOTAL STATE	$ 22,533,348,150	$ 4,816,926,316	21.38	$ 17,716,421,834	78.62

* Does not include Salt River Project
Salt River Project Total $997,551,018

1989 SOURCE OF SECONDARY TAX BASE

COUNTY	NET ASSESSED VALUATION *	VALUED BY STATE AMOUNT *	VALUED BY STATE PERCENT	VALUED BY COUNTY AMOUNT *	VALUED BY COUNTY PERCENT
APACHE	$ 407,995,358	$ 337,405,234	82.70	$ 70,590,124	17.30
COCHISE	369,483,702	113,310,260	30.67	256,173,442	69.33
COCONINO	586,962,449	192,849,251	32.86	394,113,198	67.14
GILA	213,233,634	66,428,039	31.15	146,805,595	68.85
GRAHAM	60,021,320	7,760,426	12.93	52,260,894	87.07
GREENLEE	104,672,937	89,662,719	85.66	15,010,218	14.34
LAPAZ	98,560,789	46,049,366	46.72	52,511,423	53.28
MARICOPA	14,687,784,809	2,737,634,850	18.64	11,950,149,959	81.36
MOHAVE	552,352,354	77,261,822	13.99	475,090,532	86.01
NAVAJO	528,016,349	291,533,314	55.21	236,483,035	44.79
PIMA	3,105,394,430	392,043,636	12.62	2,713,350,794	87.38
PINAL	565,718,947	190,958,313	33.75	374,760,634	66.25
SANTACRUZ	116,302,901	15,071,584	12.96	101,231,317	87.04
YAVAPAI	574,226,005	96,014,740	16.72	478,211,265	83.28
YUMA	363,135,378	70,837,739	19.51	292,297,639	80.49
TOTAL STATE	$ 22,333,861,362	$ 4,724,821,293	21.16	$ 17,609,040,069	78.84

* Does not include Salt River Project
Salt River Project Total $977,651,084

29-Nov-90

GRAPH 38

PERCENTAGE OF ASSESSMENT RESPONSIBILITY

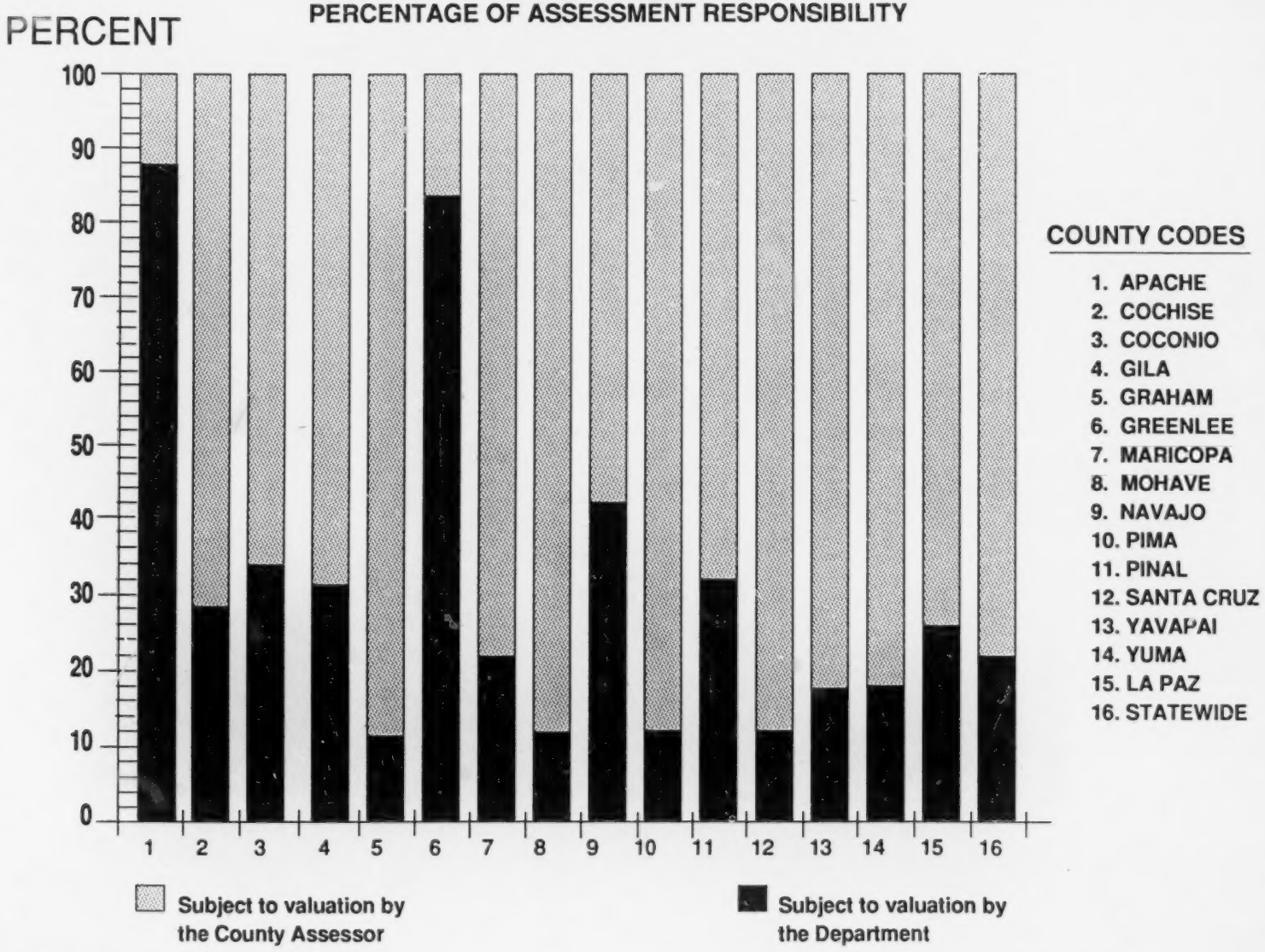


TABLE 39
AVERAGE PROPERTY TAX RATES
PER $100 OF ASSESSED VALUATION

	1987		1988	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
SCHOOL DISTRICTS	$4.29	$1.36	$4.32	$1.41
COUNTIES	2.02	0.38	2.03	0.37
STATE	0.38	---	0.47	---
CITIES	0.31	0.40	0.32	0.49
COMMUNITY COLLEGE	0.67	0.05	0.70	0.05
SPECIAL DISTRICTS	---	0.62	---	0.60
TOTAL	$7.67	$2.81	$7.84	$2.92

	1989		1990	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
SCHOOL DISTRICTS	$4.40	$1.41	$4.40	$1.55
COUNTIES	2.03	0.38	2.06	0.39
STATE	0.47	---	0.77 *	---
CITIES	0.32	0.50	0.33	0.50
COMMUNITY COLLEGE	0.74	0.05	0.77	0.08
SPECIAL DISTRICTS	---	0.58	---	0.59
TOTAL	$7.96	$2.92	$8.33	$3.11

School district rate includes unorganized school districts.

* State tax rate for 1990 includes minimum school tax.

29-Nov-90

TABLE 40
STATEWIDE
SALES RATIO SUMMARY

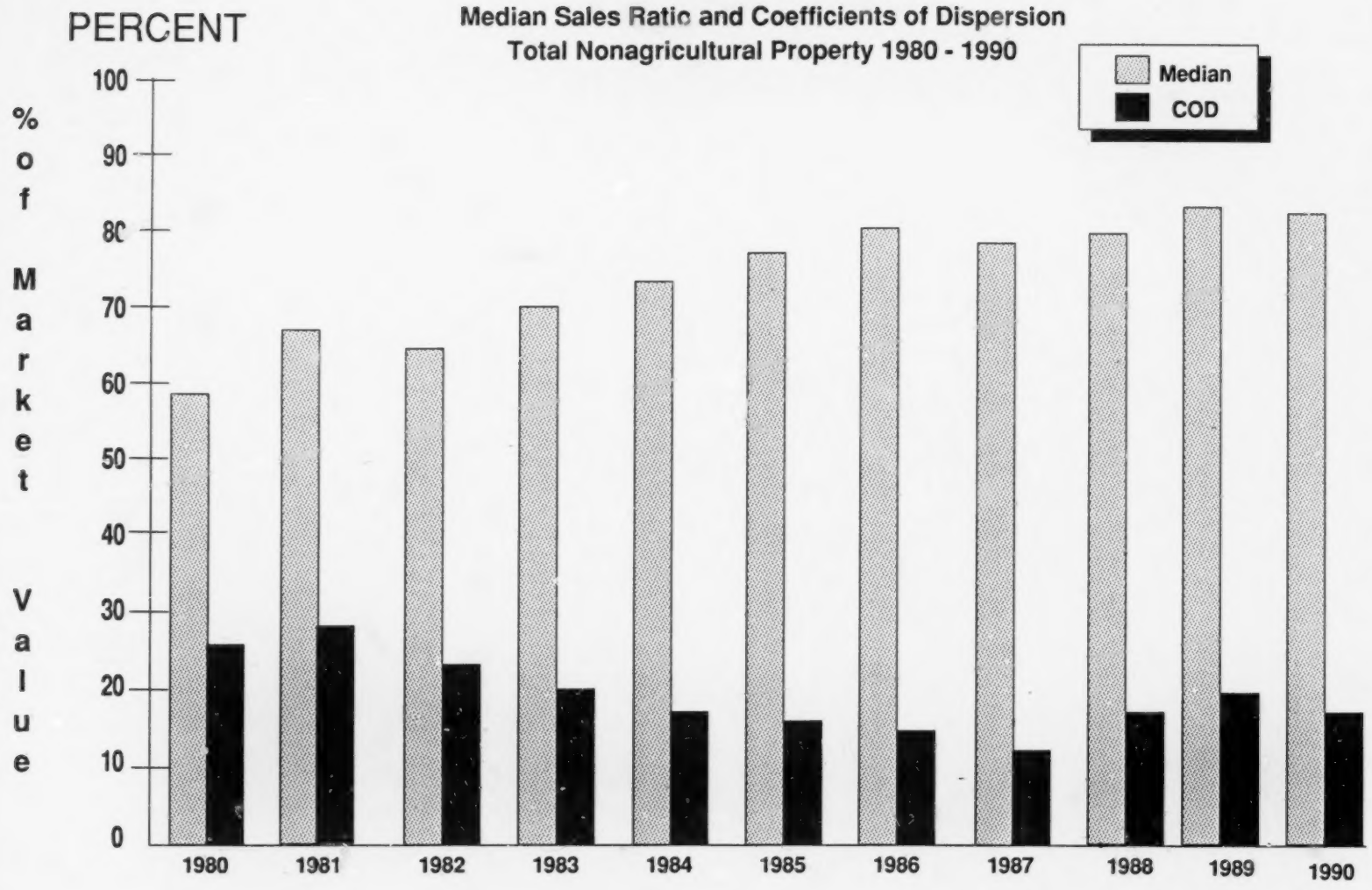
PART A: MEDIAN SALES RATIO

	VACANT LAND	RESIDENTIAL	COMMERCIAL	TOTAL NON-AGRICULTURAL PROPERTY
1980	0.449	0.616	0.573	0.585
1981	0.433	0.717	0.520	0.670
1982	0.453	0.675	0.489	0.642
1983	0.788	0.728	0.555	0.700
1984	0.656	0.730	0.594	0.725
1985	0.690	0.745	0.678	0.738
1986	0.737	0.812	0.728	0.800
1987	0.696	0.795	0.653	0.788
1988	0.736	0.807	0.695	0.798
1989	0.747	0.828	0.718	0.816
1990	0.756	0.824	0.733	0.812

PART B: COEFFICIENTS OF DISPERSION

	VACANT LAND	RESIDENTIAL	COMMERCIAL	TOTAL NON-AGRICULTURAL PROPERTY
1980	0.463	0.179	0.332	0.266
1981	0.516	0.171	0.406	0.277
1982	0.503	0.149	0.437	0.261
1983	0.318	0.134	0.347	0.194
1984	0.324	0.121	0.345	0.171
1985	0.292	0.118	0.329	0.163
1986	0.269	0.116	0.309	0.159
1987	0.304	0.099	0.311	0.137
1988	0.292	0.107	0.287	0.153
1989	0.297	0.113	0.306	0.161
1990	0.292	0.117	0.309	0.171

GRAPH 41


Median Sales Ratio and Coefficients of Dispersion
Total Nonagricultural Property 1980 - 1990
PERCENT
% of Market Value
100
90
80
70
60
50
40
30
20
10
0
Median
COD
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

Bingo

The tax on state licensed bingo operations is based on a multi-tiered licensing structure. There are three classes of bingo licenses, each of which has a different tax rate.

Each licensee's tax rate is based on bingo receipts. Class A licensees, whose gross receipts do not exceed $15,600 per year, are taxed at 2.5 percent of their adjusted gross receipts. (Adjusted gross receipts are the monies left after paying out prizes.) Class B and Class C licensees are taxed on their gross receipts. Class B licensees, whose gross receipts do not exceed $300,000, are taxed at 1.5 percent of their gross receipts. Class C licensees, whose gross receipts exceed $300,000 per year, are taxed at 2 percent of their gross receipts from bingo.

Since October 1988, all taxes that have been collected by the Department have been deposited in the state general fund. Prior to that time, a portion of the money was deposited to the bingo administration fund. A total of $796,778 was deposited in the state general fund in the 1989-90 fiscal year. (Refer to Table 42)

TABLE 42
BINGO COLLECTIONS
1978-79 THROUGH 1989-90

FISCAL YEAR	AMOUNT
1978-79	$ 127,072
1979-80	142,458
1980-81	159,422
1981-82	276,216
1982-83	388,758
1983-84	415,224
1984-85	412,285
1985-86	600,158
1986-87	730,593
1987-88	798,818
1988-89	845,841
1989-90	796,778

Estate Tax

The Arizona estate tax is a tax on the transfer of property or interest in property that takes effect upon the owner's death. The estate tax is imposed on the net taxable estate before distribution, differing from the inheritance tax which is imposed on the portion of the estate received by a beneficiary. Arizona does not impose inheritance or gift taxes. Estate taxes are deposited into the state general fund. (Refer to Table 43)

The Estate Tax Office of the Arizona Department of Revenue is responsible for the collection of estate taxes and the processing of Estate Tax Returns and Reports of Personal Representative of Decedent.

An estate is not taxable and no estate tax return is required to be filed if a federal estate tax return is not required. However, a Report of Personal Representative of Decedent must be filed in order to obtain waivers to be used in connection with probate proceedings, to terminate joint tenancy on real property and/or transfer stock held by resident decedents in companies incorporated in Arizona.

The Arizona estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes. If the decedent owned realty or tangible personal property located in another state, the Arizona tax is reduced by either the amount of death tax paid to the other state or a prorated share of the federal credit, whichever is less.

The Arizona estate tax for a nonresident decedent is a prorated share of the federal credit, based on the value of real property and tangible personal property having actual situs in Arizona.

TABLE 43
COLLECTIONS OF ESTATE TAXES

Fiscal Year	Collections	Refunds	Net
1983-84	$ 12,978,900	$ 422,689	$ 12,536,211
1984-85	15,302,387	555,594	14,746,793
1985-86	13,528,098	359,381	13,168,717
1986-87	26,389,374	720,537	25,668,837
1987-88	32,276,168	1,297,578	30,978,590
1988-89	25,453,753	1,374,046	24,079,707
1989-90	24,988,640	1,072,112	23,916,529

Luxury Tax

Arizona's luxury tax applies to cigarette and tobacco distributors, and liquor wholesalers.

The Department is responsible for issuing tobacco licenses and stamps, and collecting taxes on tobacco products and alcoholic beverages. The Department, with the assistance of the Department of Public Safety, also investigates and confiscates contraband alcoholic beverages and tobacco products.

During the 1989-90 fiscal year, more than $21.58 million from luxury tax collections was deposited into the Corrections Fund, established by the Legislature in 1984 to pay for prison construction. The remaining $65.66 million was deposited into the state general fund. (Refer to Table 44)

The luxury tax rates on cigarettes, tobacco products and liquor for fiscal year 1989-90 were as follows:

Tobacco Products Rate

Cigarettes	
package of 20 or fractional part	$.15
package of 25	.1875
Cigars	
small cigars weighing not more than 3 lbs/1,000 package of 20 or less	.04
selling for $.05 or less (each 3 cigars)	.002
selling for more than $.05 (each cigar)	.002
Smoking tobacco, snuff, fine cut, chewing, etc. (per ounce)	.002
Cavendish, plug or twist (per ounce)	.005

Alcoholic Beverages

Spirituous Liquors	
per gallon	$3.00
Vinous Liquors - more than 24% alcohol	4.00
Vinous Liquors - less than 24% alcohol	.84
Malt Liquor (Beer)	
per gallon	.16
per barrel (31 gallons)	4.96

TABLE 44
LUXURY TAX COLLECTIONS

SOURCE	1985-86	1986-87	1987-88	1988-89	1989-90	PERCENT OF COLLECTIONS IN 1989-90
Spirituous Liquor						
Net Revenue	$ 18,034,731	$ 17,059,104	$ 17,287,330	$ 17,532,966	$ 16,998,323	19.483%
Vinous Liquor						
Net Revenue	7,563,260	7,832,584	7,961,950	6,817,303	7,070,321	8.104%
Malt Liquor						
Net Revenue	15,250,805	15,927,165	15,705,711	16,193,267	16,236,679	18.610%
Tobacco - All Types						
Gross Revenue	51,419,032	51,781,811	53,028,844	51,418,132	47,895,527	54.896%
Refunds/Discounts	(644,674)	(563,562)	(623,073)	(890,514)	(954,982)	-1.095%
Licenses	1,575	1,600	1,600	1,425	1,675	0.002%
Net Revenue	$ 50,775,933	$ 51,219,849	$ 52,407,371	$ 50,529,043	$ 46,942,220	53.803%
TOTAL	$ 91,624,729	$ 92,038,702	$ 93,362,362	$ 91,072,579 (1)	$ 87,247,543 (2)	100.000%

(1) Of the monies collected from Luxury Tax during fiscal year 1988-89, $22,019,734 was deposited in the Corrections Fund. The remaining $69,052,845 was deposited in the State General Fund.

(2) Of the monies collected from Luxury Tax during fiscal year 1989-90, $21,585,834 was deposited in the Corrections Fund. The remaining $65,661,709 was deposited in the State General Fund.

Cannabis and Controlled Substances

The Arizona Department of Revenue has been authorized by the Legislature since 1983 to regulate licensing for cannabis and controlled substances sales.

The law established luxury tax rates of $10 per ounce on cannabis and $125 per ounce on controlled substances. Those rates were in effect for the 1989-90 fiscal year, but were increased under legislation that took effect on September 27, 1990. That legislation allows for the tax to be imposed on a whole cannabis plant at a rate of $500 for the first three plants and an additional $500 for each plant thereafter. The law also increased the tax on each ounce of controlled substances to $250.

Anyone possessing or dealing in cannabis or controlled substances must be licensed by the Department. Anyone in possession of a controlled substance or cannabis without the appropriate luxury tax stamps affixed also is liable for the tax. Neither the license nor the proper stamp makes possession of either legal under criminal statutes.

The fee for a license is $100. The license provides only the right to purchase the required stamps. Each type of stamp can be purchased in three different denominations: gram, ounce and kilogram for cannabis; and gram, ounce and pound for controlled substances.

The law specifically states that the license does not authorize nor provide immunity from prosecution for any criminal violations. However, any information relating to licensing must remain confidential. The law also prohibits the disclosure of any specific information relating to licensing and payments by a taxpayer.

In the event that a seizure of cannabis or controlled substances occurs, law enforcement officers involved are required to notify the Department so that an appropriate tax assessment can be levied. The Department is empowered to collect the tax assessment as it would any other unpaid tax. Until passage of the 1990 law, any revenue resulting from the tax was to be distributed in equal shares to the police agencies seizing the drug and the office of the county attorney prosecuting the case. The 1990 legislation provides that 5 percent be deposited into the state general fund, while the remainder is distributed to the agencies.

The total collected from assessments through FY 1989-90 is $210,174.

	FYs 1983-89	FY 1989-90	Total
Cases Opened	89	12	101
Liens Filed	46	12	58
Lien Amounts	$3,370,224	$264,330	$3,634,554
Amount Collected	$204,781	$5,393	$210,174

Unclaimed Property

Responsibilities of the Unclaimed Property Program include the collection, safekeeping and disposition of unclaimed property, escheated estates, and unclaimed shares and dividends of Arizona corporations.

Unclaimed property staff establishes and maintains records of funds and other personal property received from banking or financial organizations, insurance corporations, utilities, business associations, fiduciaries, state courts and agencies that are presumed to be abandoned. The largest percentage of unclaimed property is comprised of:

- Bank or credit union accounts with no activity for five years.
- Utility deposits not claimed in two yea
- Contents of safe deposit boxes on which rent has not been paid for one year.
- Travelers checks not cashed in 15 years.

Under a law that took effect July 1, 1990, up to $1 million in unclaimed utility deposits will be used for a utility assistance fund to help the low-income and elderly make utility deposits or repairs. Another law, effective September 27, 1990, requires that up to $1 million in unclaimed state warrants be used for a homeless trust fund. Thirty-five percent of the remaining net cash collected, after refunds, is transferred to the Department of Commerce to be used for a low-cost housing fund.

The balance is to be deposited to the state general fund. Personal property is sold at a public auction and the cash is deposited into the general fund. Unclaimed property may be recovered by owners at any time with proper documentation. There is no statute of limitations on claims.

The unclaimed property staff also establishes and maintains records of escheated estates, and unclaimed shares and dividends. When a person dies without leaving a will and has no known heirs, or if a person dies and a known heir cannot be located, his or her property reverts to the state after seven years as the original and ultimate proprietor. (Refer to Table 45)

Funds received from escheated estates and from unclaimed shares and dividends are deposited into the permanent school fund (Refer to Table 45)

The 1989-90 fiscal year was a record breaking year for the unit, with more than $15 million collected and more than $2.8 million returned to an estimated 5,000 rightful owners.

TABLE 45
COLLECTIONS AND DISTRIBUTION OF UNCLAIMED PROPERTY

SOURCE	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	PERCENT OF COLLECTIONS IN 1989-90
UNCLAIMED PROPERTY	$ 1,864,695	$ 2,531,318	$ 4,824,885	$ 4,281,091	$ 5,742,921	$ 15,321,931	
Refunds	226,500	320,995	321,526	476,051	1,178,004	2,876,067	
Expenses (1)	----	----	----	----	197,698	479,062	
Housing Fund (2)	----	----	----	----	1,535,402	4,409,810	
NET	$ 1,638,195	$ 2,210,323	$ 4,503,359	$ 3,805,040	$ 2,831,817	$ 7,556,992	92.46%
ESCHEATED ESTATES	164,930	106,091	202,692	141,532	159,443	674,636 (3)	
Refunds	155,558	59,828	152,751	150,744	9,458	58,795	
NET	$ 9,372	$ 46,263	$ 49,941	$ (9,212)	$ 149,985	$ 615,841	7.54%
UNCLAIMED DIVIDENDS	4,746	17,168	64	45	192	236	
Refunds	77,522	8	1,551	0			
NET	(72,776)	17,160	(1,487)	45	192	236	0.00%
TOTAL NET REVENUE	$ 1,574,791	$ 2,273,746	$ 4,551,813	$ 3,795,873	$ 2,981,994	$ 8,173,069	100.00%

DISTRIBUTION
1989-90

NET TO PERMANENT SCHOOL FUND	$616,077
NET TO GENERAL FUND	$7,980,010 (4)
TOTAL DISTRIBUTION	$8,596,087

1 A change in accounting methods resulted in an itemization of expenses beginning in FY 88/89.
2 Legislative actions resulted in earmarking a portion of unclaimed property revenues for the Housing Trust Fund, beginning in FY 88/89.
3 A balance forward of $302,092 from FY 88/89 is included in this collection figure.
4 An additional $423,018 of cash reserves was deposited to the State General Fund in FY 89/90.

ADOR Organization

DEPARTMENT OF REVENUE

ORGANIZATION

The mission of the Arizona Department of Revenue is to promote voluntary compliance with state tax laws through fair administration, firm enforcement, and prompt and courteous service.

The tax laws that fall under the Department of Revenue's purview are primarily in the areas of income, transaction privilege (sales), use, luxury, withholding, property, estate, fiduciary, bingo and severance.

To administer those laws during the 1989-90 fiscal year, the Department had an annual general fund appropriation of $44.95 million. There were 1,152 full-time positions, the equivalent of 160 temporary staff members during the income tax season and the addition of 44 limited appointment property tax appraisers and administrative assistants for a three-year recanvassing project.

The director is responsible for the direction, operation and control of the Department to ensure the administration and collection of taxes are performed effectively and efficiently.

The Department is organized into five divisions, each of which is run by an assistant director. The divisions are Administrative Services, Data Management, Property Valuation and Equalization, Tax Enforcement, and Taxpayer Support and Education Services. The divisions perform specific functions, which are integrated together to achieve the Department's major objectives of efficient tax collection and processing, timely enforcement of tax laws and accurate valuation of property.

The Department also has a Special Support Group, which is responsible for agency-wide functions and reports to the deputy director. The group's functions include budget and strategic planning, internal auditing and criminal investigations, administrative hearings, econometrics, affirmative action, public information, special taxpayer assistance, personnel, tax policy, and executive policy.

The Department's Legislative Services Section, which reports to the director, coordinates the flow of information on legislative issues. The section's administrator serves as the Department's legislative liaison and as the disclosure officer.

HIGHLIGHTS

Collected a record $15 million in unclaimed cash and property, of which a record $2.88 million was returned to an estimated 5,000 individuals. The records were achieved in part by the implementation of a new law that reduced the holding period of some unclaimed property from seven years to five years.

Raised nearly $21.7 million in new revenue in the first year of the Department's Program for Increased Enforcement Revenues, or PIER. The amount surpassed original projections by about 10 percent.

Installed and began full implementation of the autodial and automated call distribution systems to make the collections process more efficient and productive by automating the calling function. Phone collections increased 16.1 percent, or $7.8 million, over the previous year's collections, with a major portion of that increase being attributed to the new systems.

Completed the implementation of the new construction cost system in four counties so the new property values could be on the 1990 tax rolls, while beginning similar efforts in nine other counties for the 1991 tax rolls. The system is designed to more efficiently produce current and equitable cost estimates for commercial, industrial and multi-family residential structures throughout the state.

Opened the East Valley office, which was funded as a result of PIER and serves as a model for any future offices as it is staffed along functional lines, providing services in auditing, collections, licensing and taxpayer services. The office provides increased service levels to the Tempe, Mesa, Scottsdale, Casa Grande and Northeastern Arizona areas.

Developed the Department's first strategic five-year plan, which was submitted to the Governor's Office on July 1, 1990.

Accomplished a 16-day average turnaround time on income tax refunds.

Assisted more than 545,000 taxpayers who called into the Taxpayer Support and Education Services Division. According to customer surveys of Licensing and Registration, customer satisfaction rates averaged 1.14 on a scale of 1 to 5, with 5 representing lowest satisfaction.

Recommended and saw passed into law significant changes to the property tax appeals process.

Implemented programs to identify out-of-state corporations and partnerships that are engaged in business in Arizona but not filing returns with the Department.

With the Revenue Director as the chairman, the Governor's Productivity Council recommended such programs as strategic planning for state agencies, expanded venture team efforts and an executive performance appraisal program.

Increased Arizona's input on national tax issues by the election of the Director to the 15-member Board of Trustees of the Federation of Tax Administrators.

Program for Increased Enforcement Revenues

The Program for Increased Enforcement Revenues (PIER) was initiated during the 1989-90 fiscal year after the Legislature provided a special $6.3 million appropriation so the Department could increase enforcement efforts and state collections.

The Department raised nearly $21.7 million in new money the first year, surpassing original projections by about 10 percent. Not included in the $21.7 million, however, were an $8.5 million corporate tax audit settlement, which was considered extraordinary, and another $7.2 million of transaction privilege tax that was not collected because of 1990 tax changes.

The Department had estimated it could raise about $19.7 million in new general fund money, of which $13.4 million was to go to the state general fund and $6.3 million was to pay for the cost of PIER.

The Department, however, spent less than $6.3 million to run the program, with expenses coming in at about $5.7 million. That money was used to hire 149 additional personnel, including auditors, tax collectors and license compliance investigators to expand enforcement in areas that previously had received a limited amount of attention because of staffing limits.

Of the new revenue collected, $9.5 million came from increased sales tax payments, $4.6 million was credited to increased corporate tax payments and $7.6 million came from individual income taxes.

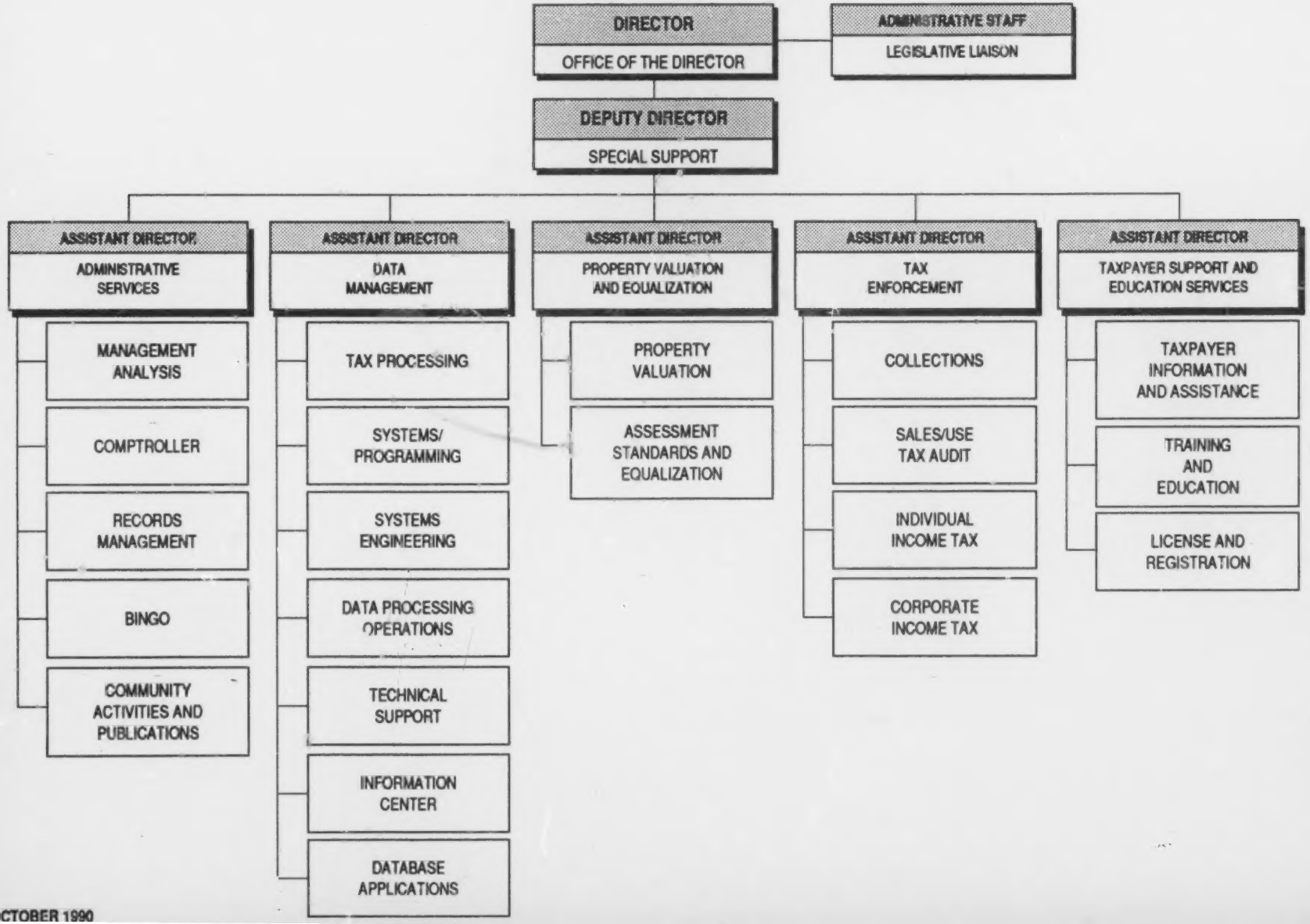
Among the Department's accomplishments that can be attributed at least in part to PIER were:

- License and Registration's identification of 4,106 previously unlicensed business, which generated $10.8 million in new revenue.

- Training and Education's development of more than 7,500 hours of training for PIER employees, which included a 220-hour training course for auditors that was conducted in 2 1/2 months rather than the normal 12-month period.

- Sales and Use Tax's increased audit coverage. Assessments more than doubled, from $33 million to $69 million, and the number of audits performed also doubled, from 984 to 2,020. Direct revenues obtained through audits increased 51 percent, from $15.7 million to $23.7 million.

STATE OF ARIZONA
DEPARTMENT OF REVENUE
ORGANIZATION CHART



OCTOBER 1990

ADMINISTRATIVE SERVICES DIVISION

ORGANIZATION

The mission of the Administrative Services Division is to provide efficient, quality, courteous service to our "customers" both within and outside the Department. This division consists of the following five sections:

RECORDS MANAGEMENT SECTION

The Records Management Section maintains and provides access to the statutorily mandated archive files of tax returns filed with the Department and departmental records. The section also microfilms income tax, corporate tax, audit and accounts receivable documents.

This unit also is responsible for facilities and telecommunications support services within the Department and operates the warehouse, which stores bulk forms and related materials.

COMPTROLLER SECTION

The Comptroller's section is responsible for the financial accounting and reporting of processed tax receipts, administration of special taxes (luxury, private car and airlines tax) and the unclaimed property program. Additionally, the section provides services in the areas of personnel and payroll, expenditure tracking, purchasing, and payables and receivables management.

MANAGEMENT ANALYSIS SECTION

The Management Analysis Section performs in-depth internal management analysis of Department programs and provides staff support in the implementation of recommendations that improve efficiency and effectiveness.

BINGO SECTION

The Bingo Section licenses bingo operations (off the Indian reservations) and ensures all licensed operations comply with the rules established for these games. It also provides an outreach program to explain the rules and record keeping requirements to all new licensees.

COMMUNITY ACTIVITIES AND PUBLICATIONS SECTION

The Community Activities and Publications Section provides forms design and control services; the Department's outreach education program for tax practitioners; and information services through such publications as Revenews (the internal ADOR newsletter), the Tax News (a newsletter for tax practitioners) and the Annual Report.

HIGHLIGHTS

RECORDS MANAGEMENT

Coordinated the installation of automated call distribution (ACD) telephones in the Taxpayer Services and Collections areas.

Installed new microfilm cameras, replacing obsolete equipment and increasing production by more than 4 percent compared to the same period in the previous fiscal year.

Completed remodeling of three floors in the main building and establishment of an East Valley office to accommodate an approximately 16 percent increase in staffing, which was the result of funding provided for the Program for Increased Enforcement Revenues (PIER).

COMPTROLLER

Set a new record by processing more than $15 million in unclaimed property receipts, nearly three times the unclaimed property unit's previous record, and $2.6 million in refunds, which is about 2 1/2 times the unit's previous volume. This was accomplished with no increase in staff and was in part due to a law change that shortened the holding period of unclaimed property from seven to five years.

Began a massive program to clear unused credits from the accounts receivables file. The project, which began in January, is slated to be completed in December 1990.

Revised maintenance procedures for the accounts receivables unit to ensure all internal maintenance is posted within 24 hours of receipt. This revision, coupled with an improved quality control program, has significantly enhanced the data in the program.

MANAGEMENT ANALYSIS

Completed a number of internal studies, which assisted the Department's efforts to improve efficiency. They include:

- Performing the analysis for and assisting in the implementation of a quick copy center in ADOR. Initial savings exceeded the entire cost to set up the program. The center is expected to save the Department $20,000 a year in printing costs.

- Revising procedures for accounts receivable payment processing, tax return processing, NSF check processing and internal mail delivery.

- Analyzing the use of the federal ID number as the Department's primary business tax identifier.

BINGO

Completed the first year of a new compliance check program, through which an examiner or auditor visits every bingo operation at least once a year. Larger operations receive at least two visits per year. These on-site visits offer licensees an opportunity to review their operations and ensure improved compliance. The new program has received overwhelming endorsement by the bingo industry.

COMMUNITY ACTIVITIES AND PUBLICATIONS

Organized late in the 1989-90 fiscal year, this unit already has begun the process for developing two sets of income, corporate and sales tax forms. The double effort was required because of a potential referendum to repeal the tax legislation passed during the 1990 legislative session.

Data Management

DATA MANAGEMENT DIVISION

ORGANIZATION

The mission of the Data Management Division is to process tax filing documents and attached remittances from their receipt into the Department through automated processing. The division provides all mainframe, mini-computer and personal computer services. Additional activities include the administration of the Department's Debt Setoff and Estate Tax programs. The division consists of seven sections.

TAX PROCESSING SECTION

The Tax Processing Section provides information services pertaining to the tax systems. It also handles incoming and outgoing mail for the Department and prepares documents for entry into the various automated systems. The section also resolves document errors that are discovered during computer processing. Other functions include collections of estate taxes, issuance of waivers of tax on estates of deceased persons and administration of the Debt Setoff Program.

DATA PROCESSING OPERATIONS SECTION

The Data Processing Operations Section enters data into the computer, operates the mainframe computer equipment, and prepares and monitors all mainframe computer program executions. Other functions include the serializing and preparing of remittances for bank deposits.

SYSTEMS AND PROGRAMMING SECTION

The Systems and Programming Section designs and supports all application systems and programs as requested by all divisions in the Department. Other functions include assisting in the coordination of efforts regarding design of computer input forms and the resolution of errors involving computer application systems.

TECHNICAL SUPPORT SECTION

The Technical Support Section installs and maintains the computer systems' hardware and software. The section also coordinates the acquisition and networking of all hardware linked to the mainframe computer, and provides support of mainframe terminal networks and the tuning of hardware facilities to ensure efficiency.

SYSTEMS ENGINEERING SECTION

The Systems Engineering Section acquires, installs and maintains database software products. The section also provides quality assurance programming services.

INFORMATION CENTER SECTION

The Information Center Section provides all personal computer support services, and operates and maintains the Department's PC networks.

DATABASE APPLICATIONS SECTION

The Database Applications Section is responsible for the development and implementation of the database environment. It also is responsible for the orderly transition from the current COBOL (VSAM) environment to the database environment.

HIGHLIGHTS

TAX PROCESSING

Accomplished a 16-day average turnaround on income tax refunds.

Completed another income tax season, during which more than 1.9 million income tax documents and 845,770 income tax refunds were processed within statutory deadlines.

DATA PROCESSING OPERATIONS

Reduced hardware maintenance costs by 15 percent on mainframe and DASD storage devices. The reduction was due to the Department's ability to qualify for a master service agreement, which is designed to complement and support customers who have successfully implemented sound and effective information systems management processes.

Processed peak season income tax returns within acceptable timeframes. The Department's data entry and data control personnel stepped in and worked overtime to ensure deadlines were met when one of the major outside keying sources was not available.

SYSTEMS AND PROGRAMMING

Processed 118 requests for service and resolved 394 problem logs from users within the Department.

Completed three major projects, including installing the corporate tax model system requested by the Legislature, converting the license and registration system to a database environment and implementing it into production, and completing the initial phase of converting the property tax system into a database environment.

TECHNICAL SUPPORT

Completed 89 communications projects.

Completed communications changes to support PIER, including installing four new terminal controllers, and adding new terminals and printers on several floors of the Department's Phoenix office building. Communication lines, cabling, terminals and printers also were installed at the new East Valley office.

SYSTEMS ENGINEERING

Acquired, installed and implemented ELITE, a computer-based training product. Systems and programming personnel already are taking technical database courses through ELITE as administered by this section's quality assurance unit.

Designed, constructed and implemented an application test facility for the individual income tax system. This facility allows the taxation support services to develop and capture its own set of test data with which to certify the performance of individual income tax processing.

INFORMATION CENTER

Worked closely with the comptroller to order, install, configure and implement the unclaimed property system. Special security procedures also were implemented.

Continued to develop the executive information system (EIS) requested by the director. Phase I was completed by June 30, 1990, and Phase II is in progress.

Installed for the Administration Services Division a DeskTop Publishing system (DTP). This involved three specially configured PCs with highly specialized hardware and software.

DATABASE APPLICATIONS

Completed major projects, including completion of Gantt and Pert charts projecting the database project's lifecycle, developing and implementing the license and registration pilot project, performing process analysis on the property tax system, and analyzing and designing the DBMS property tax application. Also completed were the development of the logical/physical database management system (DBMS) test environment, the data modeling task of the DBMS property tax application, and development, programming and testing of the Department forms pilot project.

Property Valuation & Equalization

PROPERTY VALUATION AND EQUALIZATION DIVISION

ORGANIZATION

The mission of the Property Valuation and Equalization Division is to ensure that all property in the state is accounted for, properly classified and valued equitably for ad valorem tax purposes as provided by Arizona state law. The division consists of two sections.

PROPERTY VALUATION SECTION

The Property Valuation Section is divided into two units: the centrally valued properties unit and the locally assessed properties unit.

The centrally valued properties unit annually determines the full cash value of all utilities, railroads, airlines, pipelines, mines, and other complex or geographically-dispersed properties. Values determined by this unit for such properties are transmitted to the appropriate county board of supervisors for entry upon the county tax rolls for levy and collection of property taxes.

The locally assessed properties unit oversees and ensures the application of uniform appraisal methods and techniques by the county assessors to determine the valuation of real and personal property. The unit also assists the county assessors in assessing residential, commercial, industrial and agricultural properties, and currently is engaged in a statewide recanvass of all commercial, industrial and multi-family residential properties.

ASSESSMENT STANDARDS AND EQUALIZATION SECTION

The Assessment Standards and Equalization Section is composed of two units. They are the manuals and certification unit, and the research and equalization unit.

The manuals and certification unit develops uniform appraisal methods and techniques to be utilized by the Department and county assessors in determining valuation of real and personal property for ad valorem tax purposes. The unit also compiles and updates appraisal manuals and guidelines, and assists county assessors in maintaining and updating a standardized cadastral mapping system. Additionally, the unit develops appraiser certification standards, and provides an appraiser/assessor certification program and field training to Department and county assessors' appraisal staffs.

The research and equalization unit ensures that all property in the state is assessed for tax purposes at its full cash value. To develop the statistics necessary to evaluate assessor performance, the unit conducts studies comparing assessed values with the actual sales price of recently-sold property several times a year. The unit also annually develops mass appraisal models for many residential properties in the state.

HIGHLIGHTS

CENTRALLY VALUED PROPERTIES UNIT

Conducted audits of three major electric utility properties.

Visited 17 mining properties to ensure reporting compliance.

Developed guidelines to be used for the valuation of cellular telecommunications companies.

LOCALLY ASSESSED PROPERTIES UNIT

Completed the implementation of the new construction cost system in Apache, Coconino, Mohave and Navajo counties with the new values going on the 1990 tax roll. This involved a field inspection and appraisal of all commercial, industrial and multi-family improvements in those counties.

Completed the field investigation and entry of the new construction cost data into the computers for use in preparing the 1991 tax rolls for Cochise, Gila, Graham, Greenlee, La Paz, Pinal, Santa Cruz, Yavapai and Yuma counties.

Completed a substantial portion of the recanvassing of commercial improvements in Pima County for use on the 1992 tax roll and Maricopa County for use of the 1993 tax roll.

Commenced the audit of the Cochise County Assessor's Office. This is the first county to be audited in the statewide county audit program, which will be a comprehensive examination covering all phases of the assessment function.

MANUALS AND CERTIFICATION UNIT

Certified competency of 192 staff members from the county assessors' offices and the Property Valuation and Equalization Division as part of the statutory certification program for property appraisers and assessors.

Developed models and construction components for the new construction cost manual needed to incorporate new building materials and techniques found in the field.

Developed forms and procedures for certification of agricultural land use status for use by property owners to comply with property tax laws and maintain proper classification of agricultural land.

Conducted a series of workshops on revisions to the agricultural manual with assessors' personnel and industry representatives in preparation for the updated manual for the 1991 tax year.

Revised forms and instructions for appealing the classification and valuation of real property by owners, and for appealing the valuation of personal property.

RESEARCH AND EQUALIZATION UNIT

Developed a book of market area maps by county.

Developed a program to expedite the transfer of sales affidavits from Maricopa County that resulted in a reduction in time of receipt from 12 months to two weeks.

Developed a program to track median sale prices and sales activity by county and property type.

Tax Enforcement

TAX ENFORCEMENT DIVISION

ORGANIZATION

The mission of the Tax Enforcement Division is to ensure compliance with Arizona tax laws and Department of Revenue regulations and policies through the auditing of income, withholding, transaction privilege (sales) and use tax returns. This division also ensures the efficient and impartial enforcement of all Arizona tax laws and Department of Revenue administrative rules and procedures in the collection of delinquent taxes. The division consists of four sections.

INDIVIDUAL INCOME TAX SECTION

The Individual Income Tax Section primarily conducts office audits of individual taxpayers. Audits are selected through matching federal and other information to state records. Additionally, audits are performed on taxpayers who have been audited by IRS and fail to report the changes to the state. The section also includes the withholding tax audit unit, which is responsible for examining business withholding tax accounts.

CORPORATE INCOME TAX SECTION

The Corporate Income Tax Section conducts income tax audits of corporations doing business in Arizona. Since many of the largest taxpayers are headquartered outside Arizona, much of the audit work is performed in other states. Funding for the PIER program allowed for the creation of an office audit unit, which examines corporate income tax returns and makes desk adjustments without field visits to the taxpayers' premises. This program, during its first year of operation, resulted in audits that produced collections totaling more than $5 million. The section also is responsible for unclaimed property and luxury tax auditing.

TRANSACTION PRIVILEGE (SALES) AND USE TAX SECTION

The Transaction Privilege (Sales) and Use Tax Section conducts audits to make sure the laws governing these taxes are adhered to by taxpayers.

COLLECTIONS ADMINISTRATION SECTION

The Collections Administration Section secures the payment of delinquent taxes through efficient and impartial enforcement to minimize lost revenues and promote voluntary compliance with Arizona's tax laws. Enforcement powers used by the section in this pursuit include liens, levies, and seizures and sales of property.

HIGHLIGHTS

INDIVIDUAL INCOME TAX

Implemented a program to identify non-filing, late payment and under-reporting of Arizona withholding tax.

Implemented a program to identify nonresident partners of Arizona partnerships who have failed to file Arizona individual income tax returns.

CORPORATE INCOME TAX

Implemented a program to identify out-of-state corporations that engage in activities in Arizona that subject them to Arizona income tax but do not currently file corporate income tax returns.

Implemented a partnership program to identify partnerships engaged in business in Arizona that do not file partnership returns with the Department of Revenue.

Implemented a program to identify corporations that are located out-of-state and have been subjected to federal tax audit adjustments that they have not reported to Arizona.

TRANSACTION PRIVILEGE (SALES) AND USE TAX

Added 48 staff positions under the PIER program, generating an increase in audit coverage from 0.82 percent to 1.75 percent of the taxpayer base. Assessments more than doubled, increasing 102.4 percent, from $33 million to $69 million. The number of audits performed also more than doubled, increasing 105 percent, from 984 to 2,020. Direct revenues attained on the audits increased by 51 percent, from $15.7 million to $23.7 million.

Implemented the use of desk audit program to increase audit coverage and effectiveness, resulting in collections in excess of $1 million. Through the use of internal and third-party databases, businesses are identified and notified of their potential noncompliance. This program, through the demand filing process, prompts the filing of corrected returns by the identified business itself. These taxpayer-filed, corrected returns are then reviewed to determine the need and priority for field audits.

Created a nexus program to enable the Department to identify out-of-state entities doing business or potentially doing business in the state so they can be notified of their potential tax liabilities. This program also allows the review and identification of potential prior liabilities of existing businesses that were not aware of their tax liabilities to the state.

COLLECTIONS ADMINISTRATION

Increased enforcement collection revenue by $12.86 million from $84.53 million in the 1988-89 fiscal year to $97.39 million in the 1989-90 fiscal year, an increase of 15.2 percent.

Increased the number of liens filed to 19,035 for the 1989-90 fiscal year, a 111 percent increase over the 9,026 filed the previous fiscal year.

Increased service to taxpayers and raised collection efficiency by using the new automated call distribution (ACD) system, which reduces delays in responding to incoming calls. Also established was a program to maximize the effectiveness of the section's new outbound call management system, which allows the collector to save time by eliminating calls that result in a busy signal, no answer or an intercept message.

Established procedures using IRS information to enhance the skip tracing unit's ability to locate the addresses of people who have moved and whose accounts were considered uncollectible. The number of such taxpayers located for the 1989-90 fiscal year totaled 27,658, a 172 percent increase over the 10,154 located the previous fiscal year.

Taxpayer Support and Education Services

TAXPAYER SUPPORT AND EDUCATION SERVICES DIVISION

ORGANIZATION

The mission of the Taxpayer Support and Education Services Division is to provide prompt and quality service to the taxpayer, to maximize the level of compliance through research and resolution of taxpayer accounts and to accelerate the collection of revenues due the State through employee education and taxpayer assistance. The division consists of three sections.

TAXPAYER INFORMATION AND ASSISTANCE SECTION

The Taxpayer Information and Assistance Section provides general information concerning business and individual income taxes administered by the Department. This is accomplished through telephone contact, tax tapes, correspondence and walk-in assistance. The section also resolves taxpayer account problems and ensures that all billing inquiries and disputes are resolved in an accurate, courteous and timely manner.

LICENSE AND REGISTRATION SECTION

The License and Registration Section processes license applications for sales tax, use tax and withholding tax, and sells luxury stamps for tobacco, cannabis and controlled substances; performs compliance activities to identify and license previously unlicensed businesses; manages the Department bonding program affecting specific new state contracting businesses and delinquent taxpayers; and provides assistance to the public through dissemination of general license information, distribution of tax forms and cashiering services.

TRAINING AND EDUCATION SECTION

The Training and Education Section provides training support for Department production and service, planned Department changes and individual employee growth. The emphasis of the section is to provide support that is timely, relevant, accountable, consistent and cost-effective, and to provide all service in a professional, qualitative and service-oriented manner.

HIGHLIGHTS

TAXPAYER INFORMATION AND ASSISTANCE

Responded to approximately 384,000 telephone and written inquiries concerning general and billing questions, reflecting an 8.5 percent increase from the previous year.

Responded to taxpayers through correspondence, decreasing the turnaround to a 14-day average in the 1989-90 fiscal year from a 24-day average in the previous fiscal year. By the end of the fiscal year, 88 percent of all cases were worked within 30 days or less, exceeding the Department goal of 65 percent.

Reorganized to create a specialization of staff in income and business tax types, thus reducing training time and providing correspondence personnel as backup to the telephone agents by tax specialty.

Reduced by up to 30 seconds the waiting time for initial taxpayer assistance through the installation of a new telephone system in Phoenix. Separate telephone lines were established for business tax information to avoid service problems during peak income tax season.

LICENSE AND REGISTRATION

Identified 4,106 previously unlicensed businesses and generated $10.8 million in new revenues.

Processed 44,105 license applications exceeding the previous annual record by 8 percent.

Upgraded the forms line with 24-hour voice messaging, enabling orders to be taken automatically throughout the workday when lines are busy, as well as after hours and on weekends.

Opened the East Valley front counter service, which had a tripling of customers by the end of the fiscal year.

Assisted more than 193,000 taxpayers by telephone. According to customer surveys, the customer satisfaction rates averaged 1.14 on a scale of 1 to 5, with 5 representing lowest satisfaction.

Provided FAX services for cities in the Department's municipal sales tax program. This provides immediate license processing for taxpayers who apply at city offices.

TRAINING AND EDUCATION

Developed curriculum and conducted more than 7,500 hours of training for PIER employees, completing all needed training by the end of September. This included a 220-hour training course for auditors that was conducted in a 2 1/2-month period rather than the normal 12-month period.

Strengthened testing requirements and procedures in conjunction with the implementation of an optical scanner for evaluation of test scores.

Installed Right-writer software, which enables the trainer to analyze the grammar and reading levels of course material, targeting Department trainees more effectively. This software also has been utilized by other areas of the Department to ensure that forms and brochures are published at an appropriate public comprehension level.

Special Support

SPECIAL SUPPORT GROUP

ORGANIZATION

The mission of Special Support Group is to effectively and efficiently provide services to all areas of the Department, such as budgeting and personnel assistance. The group consists of 10 areas, whose administrators report directly to the deputy director.

AFFIRMATIVE ACTION OFFICER

The Affirmative Action Officer is responsible for instructing Department employees on Equal Employment Opportunity and Affirmative Action laws, rules and policies. The officer also is responsible for investigating allegations of discrimination and sexual harassment.

PLANNING AND BUDGET OFFICE

The Planning and Budget Office facilitates the preparation of the Department's annual budget request to the Executive Branch and five-year strategic plan. It also monitors budget expenditures and the progress of the Department in accomplishing its five-year goals and objectives.

ECONOMETRICS SECTION

The Econometrics Section provides technical services to the Department, Legislature and Executive Office. Among the section's duties are forecasting general fund revenues to assist in the budget process, staffing the Economic Estimates Commission and the Property Tax Oversight Commission, and reporting a variety of information on tax collections while also monitoring and ensuring proper distribution of those collections. It also evaluates all proposals affecting taxes for which the Department is responsible, and peforms the annual update and maintenance of the individual income tax simulation model.

EXECUTIVE POLICY ADVISOR

The Executive Policy Advisor advises the director on legal and policy questions. The advisor also reviews and makes recommendations to the director about appeals of Hearing Office decisions.

HEARING OFFICE

The Hearing Office conducts hearings on taxpayers' petitions for review of tax assessments made by the Department. The Department and the taxpayer appear at a hearing presided over by a hearing officer, who evaluates the evidence and arguments, and issues a written decision on the propriety of the assessment.

INTERNAL AUDIT AND CRIMINAL INVESTIGATIONS SECTION

The Internal Audit and Criminal Investigations Section has three major functions. They include the evaluation of Department policies, procedures and controls and the recommendation of ways to improve effectiveness, efficiency and management of resources. It also investigates tax fraud and recommends criminal prosecution when warranted, and conducts internal investigations on actions or alleged actions of misconduct by Department employees.

PUBLIC INFORMATION OFFICER

The Public Information Officer is responsible for facilitating the flow of accurate and timely information to the public and media, while also protecting statutorily confidential taxpayer and proprietary information. The officer is to be informed of and coordinate all media contacts and inquiries, requests for speakers and information to the public from the Department. The officer also prepares and reviews other notices to the public.

PERSONNEL MANAGEMENT OFFICE

The Personnel Management Office is responsible for administering personnel activities for the Department. This includes consultations with management concerning classification of positions and reorganizations, recruitment and staffing. The office also is responsible for processing personnel actions, performing employment verification, employee relations, new employee orientation, employee benefits program, monitoring unemployment compensation requests and appeals, and interpreting Department of Administration rules and regulations.

TAXPAYER ASSISTANCE OFFICE (OMBUDSMAN)

The Taxpayer Assistance Office is a statutorily-established office that serves as the "point of last resort" for dissatisfied taxpayers. The ombudsman works to resolve taxpayer disputes with the Department. The office also is responsible for monitoring taxpayer complaints regarding improper, abusive and inefficient service, and for monitoring the number and type of seizures made by the Department.

TAX POLICY SECTION

The Tax Policy Section reviews, analyzes, develops and disseminates administrative tax policy for the Department. The section also responds to technical and complex telephone and written taxpayer inquiries, reviews and analyzes legislation, assists the Department in setting tax policy, and develops and promulgates administrative rules. Additionally, it provides policy support for the Tax Enforcement Division and provides some guidance to the audit sections on protested cases through preparation of position memoranda and case briefs.

HIGHLIGHTS

Coordinated the development of the Department's first strategic five-year plan, which was submitted to the Governor's Office on July 1, 1990.

Staffed the Governor's Productivity Council, which recommended such programs as strategic planning for state agencies, expanded venture team efforts, an executive performance appraisal program and public/private roundtables.

Worked on more than 200 administrative rules for the Department, about half of which were certified or submitted to the Attorney General's Office for certification during the fiscal year. Those include 72 bingo rules, 24 Property Tax Oversight Commission Rules and 18 luxury tax rules.

Restructured the Public Information Office to make it more aggressive in dealing with the media and the public.

Continued increased criminal investigations on tax matters. Since the Internal Audit and Criminal Investigations unit was reorganized in the summer of 1988, 24 cases have been referred to the Attorney General's Office for prosecution of tax fraud charges. Of those, there were 13 indictments, resulting in nine convictions and four pending cases by the end of the fiscal year.

Held 395 hearings, opened 627 new cases and closed 597 files in the Hearing Office .

Reviewed 163 appeals sent to the executive policy advisor for final order by the director.

Completed timely processing of 193 new employees, the majority of whom came on line in July and August 1989. Those positions include the 149 people hired as part of the Program for Increased Enforcement Revenues (PIER) and 44 limited appointment property tax appraisers and related personnel for the three-year recanvassing project that was established in June 1989.

Developed a tracking system for unemployment insurance claims and appeals.

Summary of 1990 Legislation

Transaction Privilege Tax (Sales) and Excise Taxes

S.B 1177 (Ch. 391) Bed Tax Revenues For Tourism (E)

Allocates 75 percent of the growth from the 1989 increase of 1/2 percent of the hotel/motel tax classification under the sales tax to the Tourism Fund. Also enables boards of supervisors in counties under 1,500,000 population to levy a transaction privilege tax at 10 percent of the state rate on the same business class but only upon unanimous vote of the board. Additionally, it enables the board of supervisors in a county of at least 90,000 population and with an annual average unemployment rate of at least twice the state average (Yuma County) to levy a tax equal to 20 percent of the state rate. This authority is limited to a one year period. Finally, the cap on Maricopa County for its percentage of state shared sales tax revenues distributed was repealed. In FY 1992-93 the guarantee on counties to receive at least as much revenue from the sales tax as they received in FY 1986-87 will be eliminated. (Emergency effective date - July 3, 1990.)

S.B. 1182 (Ch. 336) County Jail Taxing Districts

Makes numerous changes relating to establishment, financing and operation of county jail districts, including the following:

Clarifies that establishment of a jail district is contingent upon voter approval of a transaction privilege (sales) tax or a property tax to fund the operation of the district. It also adds that the sales tax is not to exceed 5 percent of the state rate to fund county jail districts for counties with populations between 500,000 and 1,500,000 and not to exceed 10 percent for counties under 500,000 population. Clarifies the powers of jail districts by changing their classification from political taxing subdivisions to tax-levying public improvement districts.

Contains other administrative provisions for purchasing property, calculation of county maintenance-of-effort payments and permits the district treasurer to reduce the district's levy in the subsequent year if unexpended or unencumbered monies remain in a district's general fund at the end of a fiscal year. (Effective September 27, 1990).

S.B. 1252 (Ch. 103) Taxation Exemption; Commodities (E)

This is enabling legislation to provide an exemption from the sales, use and property taxes on certain commodities consigned for resale in a warehouse approved by a commodities market. The commodities market must be regulated by the United States Futures Trading Commission. Certain other restrictions apply and, under the property tax exemption, an affidavit must be filed with the county assessor. (Emergency effective date April 23, 1990).

S.B 1344 (Ch. 390) County Stadium District

Grants authority to Maricopa County Board of Supervisors to form a county stadium district, establishes a county stadium district fund, and conditionally provides for a county wide transaction privilege tax levy to finance the stadium and related activities. Tax levy would be limited to no more than 5 percent of the state rate on the business class. The tax can only be levied if a major league baseball franchise is awarded within the district. There are other administrative issues in bill. (Effective September 27, 1990).

H.B. 2362 (Ch. 408) Transportation Excise Taxes; Elections; Distribution

This bill provides the authority for an election in Maricopa County to extend the existing tax of 10 percent of the state rate on the same business class beyond the current expiration in 2005. The length of of the tax extension must be in the ballot proposition. An additional transportation excise tax at 10 percent the state rate is authorized for election by the voters; however, this tax would be dedicated to freeways and transit activities. The bill contains additional administrative provisions. (Effective September 27, 1990).

H.B. 2379 (Ch. 316) Sales Of Food; Tax Exemptions

Provides a tax exemption for sales of food by a retailer to certain private and parochial K-12 schools, licensed day care and certified group care facilities, facilities which provide regular care for persons who are unable to care for themselves and certain nonprofit organizations which provide food for no charge or a nominal charge. The act is effective retroactively to July 1, 1980.

H.B. 2456 (Ch. 239) Golf Tournaments; Rodeos; Tax Exemptions

Exempts certain activities of qualified nonprofit organizations associated with national touring professional golfing associations or which sponsor, operate, or conduct rodeos from state transaction privilege taxes under the retail, commercial lease, amusement and restaurant classifications. The bill also prohibits municipalities from imposing transaction privilege (sales) and use taxes on such qualified nonprofit organizations associated with national touring professional golfing associations. Effective September 27, 1990, with rodeo exemption retroactive to July 1, 1984, and golf tournaments retroactive to December 31, 1985.

H.B. 2562 (Ch. 230) Water Quality Assurance Revolving Fund

Establishes a dedicated funding source for the water quality assurance revolving fund (WQARF) to replace the annual legislative appropriation. In addition to various fee increases, two new taxes were imposed: a tax on water use levied against municipal water delivery systems at 65/100 of 1 percent per 1,000 gallons delivered to customers effective October 1, 1990, and, an environmentally hazardous products surtax effective June 30, 1991. The surtax is limited to specific product classes and is imposed at 8.5 percent of the wholesale price paid by the retailer.

H.B. 2614 (Ch. 251) Historic Building Lease; Tax Suspension (E)

An emergency bill exempting from transaction privilege (sales) taxes the payments made to a lessor under a single lease or rental agreement with the United States government, if the property being leased is a single property and is listed on the National Register of Historic Places or is being leased or rented to the United States Postal Service for use as a postal facility. The exemption is repealed after March 31, 1993.

The measure also extends, from 30 to 48 months, the time period for which a county sales tax may be imposed for retirement of county hospital warrants (Gila County). (Effective May 24, 1990)

Luxury Tax

S.B. 1331 (Ch. 354) Luxury Tax Revenues From Cannabis

This legislation adds a definition for "whole cannabis plant" and imposes a luxury tax on a per plant basis. The per ounce luxury tax of controlled substances was doubled in the bill. Additionally the distribution of revenues was changed to place 5 percent in the general fund and the remainder to RICO. (Effective date September 27, 1990.)

Property Taxes

S.B. 1017 (Ch. 317) Evaluation Of Local Telecommunications Property

Restablishes the session law that guides Department of Revenue on the allocation of telecommunication property among classes of property. (Effective 1990 property tax year.)

S.B. 1174 (Ch 350) Property Tax Appeals

Restructures the administration of the property tax appeals system to reduce the number of appeals and to improve the handling of the appeals that do occur. A sample of major changes includes the following.

Provides that once a taxpayer begins the administrative appeals process, he will be required to exhaust administrative remedies prior to going to court. Requires on the initial special petitions, the owners' opinion of value or classification and substantial information to justify the opinion of value or classification. Allows for multiple parcels on a single appeal if certain conditions are met.

Provides for biannual registration of tax agents, administrative oversight by the newly created State Board of Appraisal, and disciplinary actions for violations of a property tax agent code of conduct. The bill provides that courts now have discretion in awarding attorneys fees and expenses to parties that prevail in tax actions against the state, municipalities and, for the first time, counties. The amount of allowable attorney fees and expenses was increased to $100 per hour and the maximum award cap was increased to $20,000. Also, awards in tax matters against the state are now subject to the cap.

Provides additional time and resources to improve administration of appeals. Assessors will be required to mail notices of valuation earlier (although this change will be phased-in during 1990 and 1991; beginning in 1992, the notices will be mailed November 15; currently they are mailed January 1). Taxpayers will have more time to file appeals and the assessors will have more time to consider the appeals. The State Board of Tax Appeals (BOTA) was expanded and given greater flexibility to handle a rapidly increasing caseload. Per diem for BOTA members was increased from $50/day to $150/day. An appropriation of $201,800 was included.

Authorizes BOTA or the courts to either increase or decrease an assessor's valuation to resolve an appeal and to determine full cash value. Provides that assessors, in the year subsequent to an appeal, must base the valuation of a given property on the value determined at the highest level of appeal. If such a property is appealed in the subsequent year, the burden shifts to the assessor to justify any deviation from the valuation determined in the previous year at the highest level of appeal.

(Effective retroactively from August 31, 1990, and applies to tax appeals filed for tax year 1991 and subsequent tax years.)

S.B. 1226 (Ch. 2) Property Tax Appeals; Appropriation (E)

Extends the time period for the tax court to hear locally assessed property tax appeals from 180 to 270 days.

Additionally, S.B. 1226 appropriates $150,000 from the general fund for fiscal year 1989-90 to the Attorney General to pay for professional and outside services to assist in litigation of locally assessed property tax appeals in the tax court. The appropriation is contingent upon a matching requirement for funding from the affected counties. (Effective March 14, 1990)

S.B. 1246 (Ch. 199) Health Service Districts; Tax Levy

Provides for an increase of the maximum tax which can be levied on real property within health service districts for operational purposes. The increase will allow the maximum rate to be 75 cents per $100 of assessed value instead of 45 cents.

An increase in the maximum rate is subject to voter approval at a regularly scheduled district election. (Effective September 27, 1990.)

S.B. 1335 (Ch. 167) County Improvement Districts; Validation (E)

Validates those county improvement districts that have levied taxes for more than five consecutive years after an attempt to dissolve the district, regardless of any defect in the district's original formation or any action by the district attempting to dissolve the district.

This bill also allows the director of the Department of Revenue to extend the deadline for filing a notification of new fire district boundaries to May 15. This applies only to counties with a population of less than 40,000 (Gila County). (Effective May 1, 1990)

H.B. 2026 (Ch. 49) Local Primary Property Taxes; Election

Removes the provision in ARS 42-301 which allowed a county, city, town or community college district to levy 95 percent of a proposed primary property tax, even though the proposed amount failed when it was voted on by district taxpayers. With this bill, a political subdivision may not levy a primary property tax if the proposed amount fails. (Effective September 27, 1990.)

H.B. 2281 (Ch. 93) Possessory Interest Tax; Personal Property

Amends the definition of possessory interest to include interests in personal property. Thus, the bill provides for the taxation of interests in personal property which are otherwise constitutionally exempt from property taxation, but that are leased to a taxable entity. (Effective September 27, 1990.)

H.B. 2284 (Ch. 412) Property Tax Exemption; Animal and Poultry Feed

This bill exempts animal and poultry feed, including salts, vitamins and other additives for animal and poultry consumption, from property taxation. (Effective September 27, 1990.)

H.B. 2327 (Ch. 45) Church Property Tax Exemption

Prescribes that if a church has tax exempt status under Sec. 501(c)(3) of the Internal Revenue Code, the church must file only an initial affidavit to receive a property tax exemption, and must no longer file annually. If the property is conveyed to a new owner that is also a church, then an initial affidavit must be filed to reestablish eligibility for the exemption. If all or part of the property is no longer used for religious worship, the church is required to notify the assessor in writing. The measure also grants a refund of any taxes paid, and forgives any taxes due, for the tax years 1979 through 1989. (Effective September 27, 1990.)

H.B. 2426 (Ch. 191) Levy Limitation; Excess Tax Collections (E)

This emergency bill simplifies the method for determining the maximum allowable levy limit for counties, cities, towns and community college districts by revising the formula as it relates to the inclusion of property that has escaped taxation previously.

It also provides that money received from the payment of delinquent taxes assessed in the prior year shall not be applied to reduce the property tax levy of a county in the following year.

Also provides that the levy limit considered by the Property Tax Oversight Commission be changed from maximum allowable levy to allowable levy. (Effective May 7,1990)

H.B. 2458 (Ch. 359) Joint Committee On Property Valuation

Establishes a 10-member Joint Legislative Committee on Property Valuation to study the roles and interactions of the various entities involved in administering the property tax system, and to study full cash values of property in Arizona. The committee is to report to the Speaker of the House of Representatives and the President of the Senate by December 15, 1991. (Effective September 27, 1990.)

Income Taxes

S.B. 1008 (Ch. 255) Income Tax; Dead Taxpayer's Installments

This bill repeals the inclusion of installments receivable upon the death of a taxpayer when computing Arizona adjusted gross income, but allows a continued subtraction on future installments for taxpayers who have already been taxed on installments receivable. The bill applies retroactively to the 1990 tax year.

H.B. 2067 (Ch. 296) Employer Dependent Day-Care Tax Credit

Allows employers who incur certain expenses for providing dependent day care facilities or service to their employees to claim a credit against their state income taxes liability. The day care must be provided to employees without profit to the employer to qualify as a credit. Qualifications to claim credit are set forth in the law and the credit is capped at $15,000. Credit becomes available in tax years beginning from and after December 31, 1990, and expires in December 31, 1994.

Administrative

S.B. 1020 (Ch. 305) Housing Trust Fund; Housing needs Assessment

The current housing trust fund is administered by the State Treasurer and consists of unclaimed property deposits and earned interest. This bill allows up to 5 percent of the fund monies to be used by the Department of Commerce for administrative costs. Other appropriation and expenditure provisions in the bill. (Effective September 27, 1990.)

S.B. 1128 (Ch.156) Senior Utility Assistance; Eligibility (E)

This bill extends the existing utility assistance programs authorized in 1986 to June 30, 1991. The Department of Revenue must report to the Department of Economic Security annually the amounts of assistance provided to qualified participants through their utility bills by each utility. (Effective April 30, 1990.)

S.B. 1173 (Ch. 98) Tax Collection Procedures; Liens

The legislation revises the assessment and collection procedures on delinquent taxes and also assists the Department of Revenue in lien procedures to place state and federal tax liens on an equal basis. Additional time for levies was allowed, extending levies for a period of 21 days. (Effective September 27, 1990.)

S.B. 1229 (Ch. 332) Distribution Of Tax Protest Monies

This bill requires that cities, towns and counties be liable for their proportionate share of transaction privilege tax monies when a court determines that the taxes were illegally collected and must be refunded. The State Treasurer will determine the amount to be repaid and reduce each municipality's and county's share of transaction privilege tax distribution over a 36-month period or until all costs have been recovered. In addition, the bill appropriates to cities, towns and counties their share of sales tax monies in the tax protest fund that were not distributed while under protest by Peabody Coal Co. The distribution will be paid over three years and the first payment will be made on June 1, 1992. (Effective date September 27, 1990.)

S.B. 1293 (Ch. 63) Internal Revenue Code Conformity

Annual legislation to revise the Arizona tax law definition of the Internal Revenue Code to include changes made during 1989 at the federal level. (Effective date retroactive to tax years beginning from and after December 31, 1989.)

S.B. 1383 (Ch. 168) Model City Tax Codes; Changes

Defines a model city tax code and requires any municipality adopting the code to hold a public hearing prior to adopting any changes. Other requirements in the bill establish a publication and hearing process, effective dates of changes and application or interpretation of code during audit cycle. (Effective September 27, 1990.)

H.B. 2062 (Ch. 72) Nuclear Emergency Appropriation and Assessment (E)

Assesses $651,200 against each consortium of public service and municipal corporations engaged in constructing or operating a nuclear generating station in Arizona. Appropriates $651,200 for emergency nuclear response planning and management to various agencies and political subdivisions. (Effective April 18, 1990.)

H.B. 2177 (Ch. 315) Homeless Trust Fund (E)

Enables the Department of Economic Security to administer the homeless trust fund established by this law. Fund will consist of monies from unclaimed property, donations and investment earnings. Monies will be used for homeless shelters and support services, with priority given to families with children. Fund capped at $1 million. Other provisions in bill. (Effective June 19, 1990.)

S.B. 2357 (Ch. 112) Welfare; Information Access

Amends the confidentiality of tax information to allow for the magnetic tape exchange of information from the Department of Revenue to the Department of Economic Security for providing data to locate parents owing child support. (Effective September 27, 1990.)

S.B. 2458 (Ch. 359) Joint Committee On Property Valuation

Establishes a 10-member joint legislative committee to study the rates and interactions of the various entities involved in the property tax system, and to study full cash values of property in Arizona. A report is due to the Speaker of the House of Representatives and President of the Senate no later than December 16, 1991. (Effective September 27, 1990.)

Special Sessions - Tax Legislation

Second Special Session

H.B. 2002 (Ch. 1) Accelerated and Estimated Tax Payments

Accelerates tax collections to help balance the projected budget deficit in FY 1989-90.

This bill requires taxpayers whose annual transaction privilege (sales) tax liability in the preceding calendar year was $100,000 or more, or who can reasonably expect to reach $100,000 in the current year, to make payment to the state for the first 15 days of each month. This payment will be made at the same time that they remit the prior month's taxes. The tax payment for the current month will be either:

a) one-half of the actual tax liability for the preceding month, or

b) the actual tax liability for the first 15 days of the current month.

The remainder of the month will be paid when filing the normal monthly return in the current statutory time frame.

The bill also provides an income tax subtraction in the 1990 taxable year for those taxpayers making estimated payments. The subtraction is for accounting, bookkeeping, computer programming and reporting expenses incurred by the taxpayer in order to make estimated payments and is limited to $1,000.

Also, the bill requires those taxpayers with an Arizona Gross Income of $100,000 or more in the preceding taxable year, or those taxpayers who can reasonably expect to reach this threshold in the current taxable year, to make quarterly estimated state income tax payments. (Effective February 21, 1990.)

Third Special Session

S.B. 1009 (Ch. 5) Municipal Tax Exemption; Interstate Telecommunications Services

The bill prohibits municipalities or special districts from levying a transaction privilege tax, sales, use or similar tax on interstate telecommunications services. (Effective date September 27, 1990.)

H.B. 2028 (Ch. 3) Tax Reform Act of 1990

HB 2028 is the omnibus revenue measure for FY 1990-91.

Individual Income

This provision will simplify the personal income tax system in Arizona. The income tax form will continue to start with Federal Adjusted Gross Income (FAGI) and there will be a limited amount of additions and subtractions. The itemized deduction will be that amount allowed by the federal government. The standard deduction will be $3,500 for a single return and $7,000 for a joint or head-of-household return. Subtractions will be limited to interest on U. S. Savings Bonds and Treasury Bills, Social Security or Railroad Retirement benefits, and the first $2,500 of federal, state and local pensions. Additions will include non-Arizona municipal interest and the early withdrawal of Arizona State Retirement System contributions. In the first year of reform, income tax refunds will need to be added to income. Indexing is eliminated.

Exemption levels are $1,500 for over 65 and blind. Dependents and personal exemption levels are $2,000.

Corporate Income

The Arizona definition of an "80/20" corporation was amended to reflect the federal treatment of these corporations.

The bill will reinstate half of the deduction for dividend income received from a controlled corporation in 1990 that was limited in 1988 and fully reinstate the deduction in 1991.

The existing corporate income tax rates were replaced with a 9.3 percent rate and the subtraction for federal income tax was eliminated.

The new law repeals the foreign tax credit subtraction.

Transaction Privilege (Sales) and Other Excise Taxes

Repeals the current accounting allowance allowed to taxpayers, which is equal to 8/10th percent of the amount of transaction privilege tax due, or $500 per reporting period, whichever is less.

Also included is a phase-down of the transaction privilege tax on the rental of real property beginning January 1, 1991. The sales tax rate is currently at 5 percent. The rate will be decreased 1/4 percent each of the next two years to a new rate of 4 1/2 percent.

Property Taxes

Minimum School Tax Rate on Classes 1 & 2 and SRP

School districts that are not eligible to receive equalization assistance are required to impose a minimum school district primary tax. The minimum rate of 65 percent of the Qualifying Tax Rate (QTR) is applicable only to property in Classes 1 & 2. (Producing mines and utility companies and Salt River Project.) The 65 percent rate would apply in tax year 1990. In 1991, the rate will increase to 75 percent of the QTR and in 1992, the rate will be 85 percent of the QTR.

This bill will phase-down the minimum $30 vehicle lieu tax (VLT) over three years to $10. Beginning January 1, 1991, the minimum VLT would be $23.23. For 1992, the minimum VLT would be $16.66 and in 1993 the minimum VLT will be $10.

A new program of property tax relief was added, designed to reduce county primary property taxes by $10M in FY 1990-91 and by $10M in FY 1991-92 for those counties whose primary tax rates are higher than the average county rate.

The reduction in FY 1990-91 will be based on 1989 tax rates and the reduction in FY 1991-92 will be based on 1990 tax rates prior to the reduction.

The assessment ratios for Classes 1 (producing mines) and 2 (utilities) are set at 30 percent for calendar year 1990 and each following year. The assessment ratio for Class 6 (rental residential property) is set at 14 percent in calendar year 1990, 13 percent in calendar year 1991 and 12 percent in calendar year 1992 and each following year.

A portion of the bill will phase out the Homeowner Property Tax Reduction Program beginning in FY 90-91 by reducing the payment to 50 percent. In future years, the rate will be reduced 5 percentage points per year until the program is phased-out. For example, the rate would be 45 percent in FY 1991-92, 40 percent in FY 1992-93, 35 percent in FY 1993-94, etc.

Although the rate will be phased-out, a portion of the program will remain in place in order to provide for the constitutional 1 percent limit on homeowners' taxes.

The state property tax rate for education purposes is set at the 1989 rate of 47 cents per $100 of net assessed value. The state property tax rate for general purposes remains at zero.

Luxury Taxes

An increase in the cigarette tax rate from 15 cents to 18 cents per pack of 20 cigarettes was included in the bill.

H.B. 2030 (Ch. 9) Tax Corrections

The annual tax corrections bill, this measure makes numerous technical, conforming and clarifying changes to the tax statutes. (Effective date September 27, 1990.)

ARIZONA DEPARTMENT OF REVENUE

MEMORANDUM

The attached tables should be used in place of Tables 33, 34, 37, 37A and 39. They contain revised property values and levies in Coconino County, and the resulting changes in the average state tax rates.

The revisions are the result of late corrections made to the assessed valuation in the Williams area by Coconino County. The new information was not processed by the Department until after the Annual Report had been sent to the printer.